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Motor groups mount a Chinese invasion



How to hire an incompetent



**Ecological agenda** 

Chemicals versus



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Zedillo faces a rough ride

# FINANCIAL TIMES

**WEDNESDAY NOVEMBER 23 1994** 

### Opec extends oil production ceiling for whole of 1995

Europe's Business Newspape

The Organisation of Petroleum Exporting Countries took the unprecedented step of extending its present production ceiling for a full year in an attempt to heart made all mades. Sandi Ambie Organic large. to boost weak oil prices. Saudi Arabia, Opec's largest producer, overcame objections from Kuwait, Libya and Gabon to persuade oil ministers to maintain the 24.52m barrel a day celling "without reservation" for the whole of 1995. Page 22; Editorial Comment, Page 21

Delors backs European TV programmes



Proposals to tighten European broadcasting quotas and separately to ban advertising on new electronic information services are threatening to divide the European Commission. The outgo-ing audiovisual commissioner, Joao de Deus Pinheiro, who is believed to have strong backing

from Jacques Delors (above), president of the Commission, will next week present plans to force European television channels to produce at least half their programmes within Europe. Page 22; Editorial Comment,

BBV group leads Spanish telecoms battle: Cometa-SRM, a consortium led by Banco Bilbao Vizcaya and by Vodafone, the UK telecommunications operator, has snatched the lead in a battle to obtain a mobile service licence in Spain with a cash bid of Ptasson (\$688m). Page 23; Lex, Page 22; Vodafone results, Page 24

**Record earnings at Disney:** The success of Walt Disney's animated features, especially *The* Lion King, more than offset a downturn in theme parks to produce record fourth-quarter earnings of \$226m (£138m), against a loss of \$78m. Group operating profits, before losses in Euro Disney, were up 23 per cent at \$439m. Page 23

Gatt criticises Canadian trade tariffs: Canada has made progress in liberalising trade and industrial policies, but lingering high trade barriers remain an obstacle to growth and job creation, a report from the Gatt secretariat says. Page 4

Heatwave lifts Japan's electricity profits: Interim profits at Japan's electric power companies rose strongly, helped by a surge in electricity demand due to a heatwave. Page 26

Beijing and Hanoi to discuss boundaries: China and Vietnam agreed to work peacefully to resolve disputes over territorial and maritime boundaries, and are to discuss their rival claims to the Suratly atolls and the Sea. Page 6

Alcatel CIT chief's resignation rejected: The board of French telecoms equipment company Alcatel CIT, refused to accept the resignation of chairman, Pierre Guichet, who has been detained during investigation of alleged overbilling of France Télécom, one of the company's biggest clients.

Czech utility to launch Eurobond: Czech electric utility CEZ will become the first east European corporation to launch a Eurobond next week. marking the region's growing access to international debt markets. Page 27

Detailed imports data to be published: Data showing the level of import penetration in different sectors of the UK economy is to be published today for the first time for more than seven years.

Merger talks coffapse: Talks about what would have been Britain's largest agreed merger ended when Johnson Matthey, the precious metals group, and Cookson, the specialist industrialist materials concern, said they had been unable to agree finan-

cial terms. Page 23; Lex, Page 22 Debt fears deter investment in China: China's rash of troubles with western creditors over unpaid debts is casting a pall over plans for heavy foreign investment in Chinese infrastructure, par-

ticularly in the power sector. Page 22 Strong demand for TeleWest: Shares in the flotation of TeleWest Communications were six times oversubscribed and have been priced at 182p, valuing the UK cable television company at £1.8bn (\$2.95bn). Page 23

US business tax breaks attacked: Robert Reich, US secretary of labour, called on the new conservative political majority in Congress to attack tax breaks for business and end "corporate welfare as we know it". Page 8

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Milan magistrates step up investigation of Italian leader's business empire

# Berlusconi warned he faces questions in bribery probe

Italian magistrates yesterday warned Mr Silvio Berlusconi, the prime minister, that he faced questioning about bribery allega-tions as part of the "clean hands" investigation into political corruption.

The move is a sign that the elite team of Milan anti-corruption magistrates is stepping up its investigation and the on-off feud with the government, which took office in May.

However, in a statement broadcast on television last night, Mr Berlusconi hit back at what he described as "below-the-belt" attempts to destabilise the government, saying that "only a clear and explicit vote of no confidence" by the lower house of the Italian parliament would induce him to resign.

Partners in his fragile coalition rallied to his support yesterday. Mr Berlusconi repeated that he was confident the magistrates had no evidence for charging him personally with allegations that top managers at his Fininvest business empire paid kickbacks to tax police in return for a favourable audit.

On news of the magistrates'

D-Mark yesterday afternoon. Government bonds also weakened and Milan stock market indices fell by more than 2.8 per

International investors fear that the increased pressure on the prime minister might make it even more difficult for the government to push tough 1995 budget measures through the senate, the upper house of parliament where the coalition does not have a majority. The senate starts debating the proposals today.

Tagentopoli touches highest . Page 2 ..Page 22

The magistrates' warning does not imply any guilt on Mr Berlusconi's part, and under special rules he may be interviewed at his official residence in Rome rather than in the draughty Milan palace of justice.

However, the prime minister was clearly angered by the timing of the announcement. It came at a moment of maximum international exposure for the Mr Berlusconi, who has been hosting the United Nations conference

Naples, and at a low point in his 10-month-old venture into poli-

Forza Italia, the party Mr Berlusconi founded in January, is recovering from a poor performance in regional and local elections on Sunday, and his government is engaged in a bruising battle with trade unions over planned cuts to welfare and pension benefits.

"We are not prepared to allow a disgraceful abuse of criminal justice to massacre the first rule of democracy, which says that he who has the votes to govern shall govern," the prime minister said on television last night.

Mr Berlusconi is likely to be questioned about his alleged involvement in two or three cases of bribery by subsidiaries of Fininvest, the media, property and financial services empire he built from nothing.

The prime minister has already admitted publicly that bribes were paid by the group, although he has pointed out that the sums paid - no more than L130m (\$81,000) in each case - were small by comparison with overall

His brother Paolo has taken Continued on Page 22



Silvio Berhisconi, at a conference in Naples yesterday, hit back at

### decision, the lira slipped to a new against international crime in "below-the-belt" attempts to destabilise the government threatens Serbs with tougher action

By Laura Silber in Belgrade

Attacks on Bihac continue despite Nato bombing to disable airfield

A war of nerves intensified between the United Nations and the Serb forces in Croatia and Bosnia yesterday as Mr William Perry, US defence secretary, threatened to follow up this week's multinational bombing

raid with much tougher action. Bosnian Serb leaders vowed to exact "painful" retribution for Monday's Nato action, which disabled the airfield at Udbina in a

Serb-held part of Croatia. The exchange of threats came amid reports of fresh Serb gains in the north Bosnian enclave of Bihac, where several villages were seized from Moslem-led government troops and set ablaze. Government forces said

UN-protected area which occupies a small part of the enclave. Mr Perry said any future operations against the rebel Serbs in Croatia would include the destruction of aircraft as well as ground installations.

"If they go in tomorrow or the next day with another bombing attack, then we'll go back and blow up their airplanes," he said. However Mr Andrei Kozyrev,

the Russian foreign minister, said air raids against the Serbs should not be carried out too often. He said Moscow would withdraw its own peacekeepers from Bosnia if "massive air strikes" were launched.

Monday's raid, by more than 30 hand-to-hand fighting had broken out in a suburb of Bihac town, a aircraft from the US, the UK, france and the Netherlands disa-

bled the Udbina airfield and targeted ground-to-air missile systems, but deliberately avoided destroying aircraft.

Bosnian Serb leaders, in close alliance with the Serbs of Croatia, yesterday warned of retalia tion against the UN and Nato. Mr Radovan Karadzic, president of the self-proclaimed Bosnian Serb state, said: "We are considering the possibility of retaliating. We will determine the time and the targets, doing our best to make it

very painful.' General Ratko Mladic, the Bos nian Serb commander, told the head of the UN forces in former Yugoslavia that there was no further reason for peacekeepers to be deployed in Bosnia and he could not guarantee their safety.

Relief workers warned of an came under fire. Any further use pending humanitarian disaster in Bihac, where 180,000 civilians cannot get emergency supplies. UN officials said the Serbs seemed bent on preventing further convoys of food reaching the

ernment army went on fighting. The IIN office in Zagreb, in an unusually specific warning to the Serbs, said there could be further punitive air raids if UN peacekeepers or the town of Bihac

area as long as the Bosnian gov-

of ground-to-air missiles against civilian targets could also incur punitive action, said Mr Michael Williams, the UN spokesman. Renter adds from Copenhagen:

A Danish court yesterday jailed Refic Saric, a Bosnian Moslem, for eight years for torturing prisoners of war to death in a Croatrun prison camp in Bosnia last year. The verdict was the first in a series of war crimes trials being held outside former Yugoslavia.

# **US** rate rise fears hit equity markets

By Philip Coggan in London and Lisa Bransten in New York

World equity markets declined yesterday on fears that US interest rates would have to rise further to bead off inflationary

On Wall Street, shares fell again in early trading as investors continued to worry that rate rises would depress the growth of corporate earnings. Last week, the Federal Reserve, the central bank, increased the federal funds rate by % of a percentage point to 5.5 per cent, but analysts are not convinced it has done enough to damp inflationary

pressures. After an early decline of 32 ooints, the Dow Jones Industrial Average fluctuated sharply yes-terday but by 1pm it was still down 11.10 at 3,758.

Mr Thomas McManus, an equity market strategist at the securities firm Morgan Stanley, said the market was finally real-ising that the Fed was likely to succeed in slowing the economy. He said broad declines in Mor gan Stanley's index of cyclical stocks since October 28 indicated there would be a further correction in the market.

While the US equity market has headed lower so far this week, the Treasury bond market has been steady. Mr Stephen Shobin, chief technical analyst at securities firm Lehman Brothers, said this could be a signal of an uncoupling of the two markets.

Monday's 45-point fall in the
Dow had depressed Asian and
European markets, with the latter falling further once the Dow

opened weaker yesterday. European share markets fell across the board with the FT-SE 100 index dropping 42.3, or around 1.4 per cent, to 3,078.7. by around 1 per cent, with the exception of Italy, where the Mibtel index dropped 2.8 per cent on news that Mr Silvio Berlusconi, prime minister, faced a

bribery probe. In Tokyo, the Nikkei 225 aver age fell below 19,000 for the first time since February while in Hong Kong, the Hang Seng Index, dropped 3.8 per cent, its biggest one-day fall since March.

> Tokyo markets, Page 26 World markets, Page 42

# **UBS** board beats challenger in share conversion battle

By Ian Rodger In Zurich

Union Bank of Switzerland's board narrowly won a controversial proxy battle with Mr Martin Ebner at yesterday's extraordinary meeting which attracted a record 6,700 UBS shareholders.

The board needed a two-thirds majority of all votes and won 66.8 per cent of those cast by the company's registered and bearer shareholders. The vote was over the board's proposal to convert registered shares into bearer shares. Sentiment in the packed sports stadium in suburban Zurich during the 2%-hour debate was clearly behind the board, partly reflecting the presence of many employees who feared for their jobs if Mr Ebner got control. As expected, Mr Ebner, a Zur-ich broker-fund manager whose

BK Vision is UBS's largest shareholder, immediately filed an application for an injunction to prevent the bank from proceedregistered shares.

-10.11

UK News ...

ng with its plan to convert its BK Vision claims the registered shareholders should have been

plan that would strip them of their extra voting rights without compensation. "No one can leave this meeting with a good feeling," Mr Ebner said after the vote. "There are no winners today." The board hastily put forward

the share conversion proposal because it feared Mr Ebner and his allies were trying to win control of the bank through the accumulation of registered shares, which have a par value one-fifth that of the bearers.

..Page 22 The proxy battle, which was

really over the board's strategy and performance, attracted huge interest in Swiss financial circles. The number of shareholders who attended yesterday's meeting was double that of the last annual meeting in April. More than 88 per cent of the 35.9m

allowed to vote separately on a

for three years to become more sensitive to shareholder interests Mr Nikolaus Senn, UBS chairman, said in an opening speech that raising the group's earning power and exercising strict control over risk were the main goals for the 1990s.

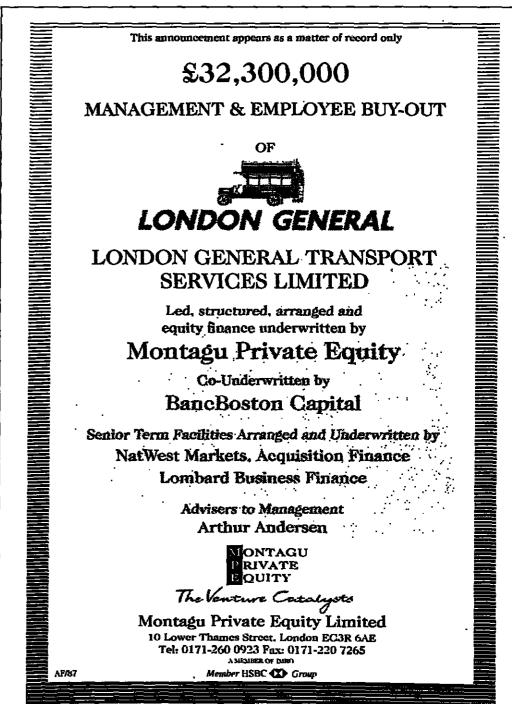
But Mr Ebner won applause for his complaints about the strong pressure put on employees and customers to vote their shares in favour of the board.

BK Vision now has a week to produce evidence supporting its mand that UBS be prevented by injunction from converting the registered shares into bearer shares until an appeal is made.

If the injunction is granted, BK Vision will have two months to prepare its appeal to the commer-cial court. This would almost certainly mean the registered shares, with their extra voting power, would still be in existence for the next annual meeting in

At that meeting, 10 of the 23 directors' terms expire, and Mr Ebner has made clear he will try to win shareholders' support for substantial board changes

shares with voting rights were Even before the vote, the event was something of a moral victory for Mr Ebner who has been put-ting pressure on the UBS board CONTENTS Tractional Options Gold Markets .... London SE \_ Intl. Companies .... 24,26,27 Well Street Int, Bond Service \_ infl. Cap Mkts Bourses \_ Menaged Funds ...... 36,37 LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO



# Tangentopoli touches the highest level

ister, the task of hosting this week's UN conference on crossborder crime in Naples looked simple: photo opportunities with the UN secretary-general, a tough line on money laundering and the Maila, and a chance to improve a dented international image.

But the job seems to have turned into a cruel joke against a man already visibly wearied by his short experience of politics.

On Monday, the prime minister was obliged to defend his 10-month-old political movement, Forza Italia, following a poor showing in Sunday's regional and local elections. Then, just after lunch yesterday, Mr Berlusconi received a formal warning from Milan magistrates that they wanted to question him soon about allegations of bribery and corruption at the top of Fininvest. his private media, financial

services and retailing group.
Putting a brave face on the news, he was expected to els". Even some of his supporters thought the comments ill-judged and they triggered the

The judicial shadow hanging over Silvio Berlusconi will prolong Italy's damaging political uncertainty, writes Andrew Hill

sessions of the UN conference. Mr Berlusconi has been sent the formal warning, or avviso di garanzia, in his capacity as controlling shareholder of Fininvest, and it does not imply that he has committed a crime. What is certain, however, is that Milan's crack anti-corruption magistrates would not have risked undermining the government, and upsetting the

tify the sending of a formal They learned that lesson in October, when Mr Francesco Saverio Borrelli, who heads the Milan team investigating Italy's bribes scandal or Tangentopoli (bribesville), told the press that the inquiry was reaching "high political lev-

financial markets, without first

ensuring that they could jus-

minister. Mr Borrelli was obliged to clarify that no avviso di garanzia was pending for the prime minister. Technically, that may have been true. Apparently, Mr Berlusconi's name was only added to the list of people in line for investigation on Monday.

The formal warning is believed to relate to the Milan magistrates' investigation into bribes of L130m (£52,000) and L100m paid to tax police by Mondadori, Fininvest's publishing subsidiary, and Mediolanum Vita, its life assurance subsidiary, in 1991 and 1992, in return for a favourable tax audit. These are not new allegations. Mr Berlusconi's brother Paolo was arrested in connection with the same inquiry during the summer and later released. Both brothers have admitted publicly that bribes were paid, and

return to Naples last night or resignation, later retracted, of Paolo has assumed responsibilities morning for the closing Mr Alfredo Biondi, the justice ity for giving the orders.

The prime minister's line. repeated again yesterday before the formal notice of investigation was published, is that he has committed no crime, and therefore need not resign. If Fininvest's top managers erred, it was because. like thousands of other managers and entrepreneurs", they were victims of extortion rather than actively involved in corruption.

ut critics argue that this is not just a matter for Mr Berlusconi's conscience. The magistrates' decision, coming so soon after Forza Italia's disappointing performance in Sunday's elections is bound to bolster the morale of the opposition parties and trade unions.

That could make it more difficult for Mr Berlusconi to nush through the controversial

1995 budget in the senate. The budget measures, which include cuts in welfare and pension benefits, were approved by the lower chamber of deputies on Monday, but the main government parties do not have a majority in the senate.

The next test for Mr Berlusconi's strength will be tomorrow's talks with Italy's trade unions federations, aimed at averting a general strike on December 2, the second in as many months.

It seems unlikely, however, that this will lead to new elections, so soon after the March poll, which was welcomed as a new start for a country undermined by widespread corruption. Mr Oscar Luigi Scalfaro, the Italian president, indicated on Monday that in any case he would call for a "presidential government" if the coalition collapsed, rather than dissolve

partners, Mr Gianfranco Fini, eader of the right-wing National Alliance, has used Sunday's election results to call for unity between the government parties, while Mr Umberto Bossi, the volatile leader of the populist Northern League, indicated yesterday that the government should hold on at least until full parliamentary approval of the budget, due by December 31.

What is more worrying, particularly for the international image of the government, is that the prime minister should still be working under the shadow of a judicial investigation. Defending Mr Berlusconi yesterday, Mr Biondi pointed out that the alleged crime "was supposed to have taken place when he [Mr Berlusconi] was a private citizen, just a businessman". But political opponents question whether this particular businessman should have taken the risk of running for high office without resolving a conflict of interest which is helping to prolong a period of damaging political uncertainty.

# Alcatel stands by Guichet

The board of Alcatel CIT, the French telecoms equipment company, yesterday refused to accept the resignation of its chairman, Mr Pierre Guichet, who has been detained in prison by a magistrate investigating alleged overhilling of France Telecom, one of the company's biggest clients: Mr Guichet who was imprisoned on Monday evening, had tendered his resignation to avoid damage to the company's relations with France Telecom. But the board, which said it was shocked by the detention order, rejected the move in a show of support for Mr Guichet. A spokesman for Alcatel described Mr Guichet's detention as completely unjustified and said the investigation would prove his innocence. A company official indicated however, that the chairman's request to step down could be considered by a future board meeting when Mr Guichet is able to participate. Mr Guichet's detention in a prison to the south of Paris pushed shares in Alcatel Alsthom, the parent company of Alcatel CIT, down by more than two per cent to FF-411. They later recovered some of their losses, but remain more than 50 per cent below their January level.

Industry analysts said that shares would remain vulnerable as a result of the continuing corruption investigations. The group is very much in the magistrates's sights," said one electronics analyst at a French securities company. He added that investors had also been unsettled by the damage to relations with France Telecom. John Ridding, Paris

### Brundtland eyes Yes vote

Mrs Gro Harlem Brundtland, Norway's prime minister, yester-day said she was confident of winning a Yes vote in a referen-dum next Monday on membership of the European Union, despite a continuing strong lead in the polls by opponents of the move. "I don't look upon the polis as bleakly as some people do; there has been a tremendous change in recent eks," she said. Although the No camp continues to lead in the polls, the gap has narrowed significantly since Sweden voted to join the EU on November 13. Mrs Brundtland said she believed that many people would not make up their minds on the controversial issue until the last minute, as happened in the EU referendums in Finland and Sweden. She believes that the prospect of isolation facing Norwegians now that Finland and Sweden have decided to join the EU would be enough to make them understand what is at stake if Norway rejects membership for the second time.

"I don't believe in threats, but I do believe in appeals and responsibility and it's my conviction that it is best for Norway and its future and for Europe if Norway joins. I think one week is enough to get this point across," she said. Karen

### Curb on German banks.

Germany's newly re-elected government planned to curb banks' influence on industry, Mr Glinter Rexrodt, economics minister, said yesterday, but indicated that any new laws would be more likely to limit their seats on supervisory boards than force the sale of shareholdings. He said banks should contribute to the debate "instead of immediately pulling out the card of the constitutional court". This was a reference to the threat by Mr Hilmar Kopper, Deutsche Bank chairman, to go to the court if the bank was forced to sell holdings and pay high capital gains tax. Mr Rexrodt said the government would study the extent of banks' influence on industry before proposing laws. But if it decided to rein back existing holdings or limit new ones, it would use legally and constitutionally correct methods. "One cannot expect Mr Kopper to sell holdines of the Deutsche Bank and hand over half the proceeds to the state as tax." Andrew Fisher, Frankfurt

### Hungary bank chief to quit

Hungary's central bank governor has said he will resign today, ending weeks of speculation that he would be unable to work with the country's new Socialist-led government. Mr Peter Akos Bod, appointed by the previous conservative administration in 1991, said it had been clear since the government took office in July that he did not have its full support. He was one of the main architects of the previous administration's economic policies. Top manag rement at several larg state companies have been purged by the government inrecent weeks. Analysts said yesterday they did not expect Mr Bod's resignation to have a serious impact on financial markets or central bank policies. However, they said much would depend on who succeeded Mr Bod who had not been due to step down until 1997. The front-runners are Mr Ferenc Bartha. government privatisation commissioner, and Mr Gyorgy Suranyi, managing director of Central European Investment Bank, a foreign-owned local bank. Virginia Marsh, Budapest

### German court rules on N-waste

The German environment ministry yesterday said it hoped an administrative court would reach a quick decision clearing the way for a controversial shipment of nuclear waste to a storage site at Gorleben in northern Germany. The shipment has been standing for months in a railway siding at the Philippsburg power station in south Germany while the federal government and the state of Lower Saxony, where Gorleben is situated, did battle in the courts. It was to have arrived in Gorleben today but the environment ministry unexpectedly stopped the shipment late on Monday after a court near Gorleben had ruled that the fuel rods were incorrectly loaded at Philippsburg.

Ms Monika Griefhahn, Lower Saxony's environment minister and the most outspoken opponent of Gorleben, doubted the shipment could be moved this year. The state government had given its approval last week under pressure from the environ-ment ministry. The Philippsburg waste would be the first shipment to Gorleben and has been fiercely resisted by people living near the site. Michael Lindemann, Bonn

tics office. The figures con-

### ECONOMIC WATCH

France: inflation

### Prices inch up in France French consumer prices

increased by 0.3 per cent in Annual % change in CPI October, giving a relatively stable annualised inflation rate of 1.7 per cent, according to insee, the national statisfirmed the weakness of inflationary pressures in the economy, despite stronger than expected growth this year. Consumption, however, has remained fragile, with a weakening expected in October's figures. The prices of 1.0 manufactured products

94 remained unchanged in October, while the index for vices declined slightly compared with September. Upward pressure was provided, however, by food prices, which increased by 0.9 per cent month on month. John Ridding,

■ Germany's output of cars and trucks rose by 5.8 per cent last month from a year earlier despite having one less working day, said the VDA German motor industry association. In October, Germany produced 355,400 cars, 14,000 trucks up to six tons, and 9,900 other trucks.

Year on-year inflation in the European Union was 3 per cent last month, according to Eurostat. The provisional figure was unchanged from September and at its lowest level in seven and a half years. The rate was 3.3 per cent in October 1993. ■ The debts of Russia and the former Soviet Union totalled almost \$113bn at the start of the year, according to official figures obtained by Reuters. Soviet debts are at \$103,940bn and Russian debts are \$8,840bn.

Commission has launched raft of court actions in move to outlaw unfair practices

# Brussels gets tough on public contracts

By Andrew Taylor, Construction Correspondent

The European Commission has begun to bare its teeth as it tries to outlaw unfair practices preventing companies from winning public sector contracts in other EU countries. It is threatening to seek a court injunction to halt work on a DM400m (£164m) German power station contract

Recent figures showing the huge amount of work still required to incorporate EU public procurement directives into member states' laws underline the scale of the task.

Eight public works directives should have been included in domestic law by July 1, but, by the end of October, had not happened in a third of cases, according the Commission. At that point it started 28 proceedings against governments for failing to include the directives doing so incorrectly. But its threatened injunction, which could stop a live project, is an

unusual step. Germany, long identified as one of the worst offenders, is the subject of legal proceedings on two of the eight public works directives and may face action on another four. Only Denmark, Luxembourg and the Netherlands have fulfilled their obligations - "with a few minor exceptions" - to enact

The directives, which require all public contracts of more than Ecu200,000 (£157,000) to be advertised in the Official Journal of the European Communities, seek to ensure that all EU companies are treated equally when bidding for public sector

They demand that contract procedures and technical standards should not be used to favour domestic companies. Contract conditions should be clearly stated, and standardised forms used as much as possible. Conditions once published should not changed to

favour one bidder. The Commission has been particularly concerned about the practice in some southern Mediterranean countries of reopening negotiations after contracts have been awarded. In these instances a favoured supplier can safely bid a very low price, secure in the know-

ledge that this will subsequently be renegotiated along with other contract conditions. Brussels says this may encourage corruption if final costs are not subject to open competition but determined by consultation between local offi-

cials and the winning bidder. The number of legal actions pursued by the Commission against governments and pubapply the directives to specific contracts has more than doubled during the past 12 months to about 250.

In one of the most recent, Brussels is threatening to seek an injunction in the European Court to prevent work starting on a steam turbine contract for a DM5bn power station at Lippendorf in eastern Germany. It wants the recently priva-

tised eastern German electricity company, Veag, to reopen the bidding for the DM400m contract a steam turbine for which was awarded to a German subsidiary of Swiss-Swedish group Asea Brown Boveri. The German subsidiary of General Electric of the US

which claimed it was "unfairly excluded from the final round of price negotiations" complained to a Berlin court that European companies, such as ABB and Siemens, traditionthe German power sector as "court suppliers".

Legal action is not the only weapon at the Commission's disposal. Governments which fail to apply or police directives properly have been warned that EU soft loans and grants, from the so-called structural funds, may not be available for public works if proper procedures are ignored. Greece and Spain, following warnings, have agreed to aban-

don their practice of reopening negotiations after contracts have been awarded. The prize for the Commission and companies seeking to markets is large. Public procurement in the EU totalled

break into other countries' Ecu595bn in 1990, equivalent to 14.4 per cent of gross domestic product. Only 2 per cent of this was awarded to companies from another country.

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# INVESTING IN SOUTH AFRICA

# South Africa has covered decades of History in a matter of months

Richard Laubscher, chief executive of Nedcor, speaks to John Spira, Business Editor of a leading Johannesburg newspaper.

Spira: How do you view South Africa's political and economic

Laubscher: I'm hoping (and expecting) that the political miracle Lambscher: 1 in mpung same specially we've seen is going to be followed by an economic miracle will ultimately lead to a social miracle the economic miracle will ultimately lead to a social miracle involves unestimable growth which I The economic miracle implies sustainable growth which has to generate an improved quality of life for a lot more South Africans

generate an improved quality of life for a lot more sound remeans than the previous growth cycles have done. Previous growth cycles have done. Previous growth cycles were accompanied by less labour and more capital employed. This time round we have to ensure that the economic miracle spreads the largesse; that it gets to more people so that the hoped for social miracle will ensue.

Lambacher: To start with, we're in a cyclical economic upturn. For the present it's less robust than first anticipated; but it's not at all

Secondly, global economic growth is likely to be sustained longer than previously predicted, the benefits for South Africa being ris-ing commodity prices and a heightened offtake of our primary and secondary exports.

Thirdly, agriculture has turned strongly. Hence we have no need to import, while the surpluses will go to countries where they are real-

Fourthly, the economy should enjoy a more sustained period of growth on the back of the reconstruction and development pro-gramme (RDP), with its emphasis on bousing and electrification. The RDP will give us two to three years of good economic expan-

sion, probably adding two percentage points to the growth rate over Finally, the fixed investment cycle is starting to turn up.

Spira: What role is the government playing in prometing economic growth? Lauhether: It's boosting confidence and confidence is a fragile

Rower which blossoms the more it grows.

The new Cabinet has hardly put a foot wrong. The admirable disciplines that have become one of its cornerstones will countribute to an economic growth rate so robust that it could surprise us.

The aim of privatising and internationalising state assets is remarkthe author for reasons, which is a state borrowing and thus off interest rates. If the assets are internationalised, it augments the foreign exchange reserves. The result is higher economic growth because you have less concern over the balance of payments. Bolstered foreign reserves enhance the liketibood of non-resident foreign exchange control being lifted and the two currents.

South Africa now has several international credit ratings, which I think turned out quite well. Prospective leaders who sought a triple-B got it. The double-B says we haven't yet graduated to a

rose garden.

The ratings enable us to float our first sovereign issue for quite some time. I believe it will be a success. It'll be followed by parastatal issues, which will also help build reserves that are in : improving on their own with the unwinding of the leads and lags.

And as the reserves build, there'll be a lot more flexibility in terms

of monetary policy.

I believe that Finance Minister Chris Liebenberg and Reserve Bank Governor Chris Stals will apply a more liberal strategy relasting to the overseas investment climate while retaining strong fiscal disci-pline. I suggest it will be well received internationally and, in consequence, meaningful foreign investment will materialise.

I have every confidence that just as South Africa's recent political evolution surprised the world, so will the highly positive manner in

Spira: Has the new government achieved anything concrete to

Laubscher: I believe so. For example, other four months of hard negotistion, a housing accord has been reached between the banks, the Association of Mortgage Lenders and the government. If you look at what Housing Minister Joe Slovo and Billy Cobbett have took at what rousing Minister for show and party Cooken gave done, there's a very real possibility of putting together a housing initiative and structure that's genuinely going to build houses. That housing compact is not only supported but admired. It's a great deal for everyone — for the people who need houses, for a government obliged to deliver houses and for the banks, who see this as an opportunity to widen their client base.

Then, too, the issue of privatisation is right there on the agenda. So while there's been a fair amount of rhetoric, there's also been a

Laubscher: Nedcor has long believed that a substantially better South Africa lies ahead. We started working to this end four years ago with our scenario planning, some of the observations and recommendations of which are the key to what is happening today. I guess that a form of reconstruction and development started at I guess that a form of reconstruction and development started at The Perm, a Nedcor subsidiary, ten years ago. The Perm is a huge-ly dominant player in the financing of black housing in South Africa. More than 83,000 black families live in homes financed by

In partnership with the government, Nedcor launched the Sports Trust, aimed at sports development.

We launched the Arts Trust (also with government), whose message is that art is part of healing the soul of the country.

We were responsible for the Green Trust, which sims at improving the environment. improving the environment.

We've strongly supported Cape Town's bid for the 2004

Olympic Games, because we believe we can thereby showcase

South Africa. We've signed a deal with the IFC to start a R50 million

franchise equity fund.

We've signed a deal with Germany's DEG to bring in money to equity fund small businesses.

We'll be amouncing a deal early next year to bring credit to the praviously unbanked community. The first bite looks like 400,000 new clients.

Spira: What progress has Nedcor made in the broader African banking market?

in central and west Africa, we're in alliance partnerships with SFOM (owned by BNP of France, Dresdaer Bank of Germany and SFOM (owned by BNP of France, Dreadner Bank of Germany and Belgnim's BBL), which covers 14 sub-Saharan African countries. We hold a 20 percent interest in a bank in Zimbahwe with SFOM as partners, along with Rothschilds and Hill Samuel. More recently, to cover English-speaking Africa, we bought a 20 percent stake in Equator, Hong Kong's and Shanghai's trade finance bank in Africa.

guage and know the people.

We now cover 21 countries in Africa — and the business is start-We now cover 21 countries in Africa — and the pusmess us starting to flow. The southern African market comprises 100 million people. As the commodity cycle turns and as the view prevails that you aren't going to wipe Africa off the international agenda, people are starting to look at southern Africa more closely than ever before, What makes us happy is that South Africa is a perfect conduit into these countries. And Nedcor has a well established infinstructure with clearly focused products and services.

Via these deals, we've formed partnerships with institutions which have operated in Africa for quite some time, which speak the lan-

Spira: What is Nedcor doing on the wider international front?

Laubscher: Our operation in Hong Kong has just had its licence upgraded. Because we are now on the first rung of a pure banking licence, our funding and trade finance activites have been consid-We are open in Beijing. The relationship between China and South

We are open in Berjuig. For reasonance between Laura and sound Africa is remarkably strong. There's a huge amount of commodity flow and Nedcor participates on both sides of those transactions. We're in the process of upgrading our Taiwanese banking licence. It's significant that the Japanese are taking a warm look at South Africa. They've come in with a lot of ald money and their trading companies have a strong presence here, in Europe we continue to expand. We've upgraded our London in intupe we committee the expand, we've appraised our London office and want to revamp its trade finance expabilities. We've just opened a representative office in New York. America is proving to be a powerful friend of the new South Africa. The possibilities are exenting.

It's gratifying to see just how many new international clients are placing their business with Nedcor. I believe they've come to us because we've worked hard at projecting our image to them. When



Richard Laubscher

we first envisaged that change in South Africa was likely to occur, we mapped out the implications, which we related to the international business climate. We networked with the embassies. Virtually all the international airlines bank with us. It's been a very clearly structured strategy in which we've invested a lot of money. We're now starting to see some of the payback.

Spira: What has Nedcor been putting into the community it

Lambscher: Last year R19 million went from our bottom line into the community at large — on projects we regard as not only desir-able but with long term downstream benefits. able but with long term downstream benefits.

We're also channeling much effort into affirmative action. We now have our first black executive director in the form of Lot Ndlovu.

Spira: What of Nedcor's Imancial progress and its outlook?

anisother: Our assets are now constantably in excess of R50 bilion. Shareholders have had an earnings stream compounded annually at 19 percent over five years. An investment in our shares five years ago has produced 41 percent annually compounded.

Nedcor's core businesses are running well, we're gaining market share. We're highly cliem-focused, with the result that more and smare, we re mignly cuemi-locused, with the result that more and more people are entrusting us with their business. At the moment we can handle considerably more with our existing infrastructure. We're ideally placed in terms of the previously unbanked continuity. According to reliable estimates, only 10 percent of all adult South Africans have cheque accounts and only 15 percent have credit cards. This has to be a wonderful opportunity. As unbundling in South Africa proceeds, we're being increasingly chosen as the primary banker. We're picking up much corporate business here.

An important recent survey has moved us up from seventh to sec-

Spira: Is there still talk of prescriptive banking legislation?

Lambscher: The tune has changed dramatically since the election, nationalisation was on the tip of many tongues. Now privatisation is the order of the day. South Africa has covered decades of history in a matter of months. The housing accord contains nothing in the way of prescriptive leading. It says that for banks to lend, the correct chimate must prevail — and that is for government and the community to sort out. In such a climate, the banks have willingly committed large man-

The accent has moved away from one of prescription to one of a enuine desire to participate and be involved.

There's a strong realisation that the health of the hanking sector is indicative of the health of the economy. It's now widely accepted that a good barometer of an economy's health is a strong, vibrant,

If we get the economy right, South Africa will be a great place for banks and a great place for investors.



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# to sell Tapie's mansion By Andrew Jack in Paris

Bank plan

Mr Bernard Taple, the controversial French businessman and politician, could face the loss of his luxurious Paris house in the next few weeks as part of his legal battle with

Crédit Lyonnal The embattled state-controlled bank said yesterday it intended to sell "as quickly as possible" the assets controlled by Mr Tapie secured against its loans to him and his network of companies if it wins the latest of a series of court

battles against him today. First to go is likely to be the Hôtel de Cavoye. Mr Tapie's mansion in the fashionable seventh arrondissement, which some experts have valued at FFr100m-FFr160m

This may be followed rapidly by attempted sales of his shares, and the yacht Phocéa in Marseilles. Also up for sale would be his collection of antique furniture and paintings, many of which he attempted to remove to secure

hiding places earlier this year. The ability of Crédit Lyonnais to sell the assets will depend on a judgment today in the Tribunal de Grande Instance in Paris, resulting from an appeal heard last month in which Mr Taple argued that the bank must stick to the original terms of an agreement reached in March to repay his debts over

five years. The bank says he failed to keep his side of the agreement, which included providing two independent expert valuations of his assets against which the repayments were to be secured. One estimate has put the total worth at FFr300m, against loans to him of about

Crédit Lyonnais is under considerable pressure to act after widespread criticism of its losses, which reached FFr4.5bn in the first half of this year. Its loans to Mr Tanie were one of the principal issues raised by customers who took advantage of an open evening to voice their

concerns. Mr Tapie is separately suing Crédit Lyonnais over a claim that the bank is partly responsible for the management of the companies he controlled, and over a series of advertise ments which included an unflattering cartoon of him. A court is also due to decide next month whether his companies are bankrupt and must be

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By John Murray Brown in Dublin

Ireland's parliament yesterday adjourned after failing to elect a new prime minister, paving the way for a week of intensive horse-trading as political parties search for a fresh coalition

Mr Dick Spring, the Irish Labour party leader, set out tough new conditions for Labour to go back into part-nership with Flanna Fail, freland's largest party, following last week's break-up of the 22-month coalition and the resignation of Mr Albert Reynolds as prime minister.

Mr Spring is calling for a new freedom of information bill, an easing of the rules on cabinet confidentiality, more accountability on judicial appointments and a review of official secrets legislation. He also wants recent ministerial pay rises rescinded.

The Labour party is using its strong position in the polis to dictate a new liberal agenda before agreeing a coalition with the more conservative

Flanna Fail party. Mr Spring's "strategy for renewal", unveiled to the parliamentary party over the weekend, is partly a response to last week's crisis when Mr Reynolds misled parliament over the attorney-general's role in the controversial case of a paedophile priest's extradition Mr Spring has struck a popular chord on many of the issues.

The question of cabinet confidentiality has already been challenged unsuccessfully in the supreme court when, during the beef tribunal, Mr Reynolds was accused of selective cabinet document leaks in the investigation into the misuse of official export credits in the

beef industry in 1991. Opinion remains divided within Labour ranks about whether to join forces again with Fianna Fail, with many of the Fianna Fail ministers implicated in Labour eyes in the extradition case. Moreover, many Fianna Fail MPs are still bitter about Mr Reynolds' downfall; which some see as having been precipitated by Mr Spring, and seem prepared to

go into opposition. In this case, Mr Spring would have to look for a partnership with the conservative Fine Gael and one of the smaller parties, which could be more problematic given Mr Spring's personal difficulties with Mr John Bruton, Fine Gael leader.

The Labour leader's proposals are broadly in line with ideas outlined by Mr Bertie Ahern, new Fianna Fail leader,

on Saturday.

But one issue of contention could be Northern Ireland policy, where Mr Spring is keen not to be sidelined as he was by Mr Reynolds.

Mr Spring may challenge more traditional republican thinking with his calls for a "balanced constitutional arrangement" - a clear reference to the current negotiations with London on the framework document to provide a durable political settle-

ment for the province.

Mr Spring said: "We will have to seek to define our nation more in terms of its people, in all their diversity, and less in terms of its territory." Many observers believe this is largely a negotiating



# Budget deficits twice what they should be, says Bundesbank chief Tietmeyer rails at Emu criteria

After highlighting for months the inadequacies of the conver-gence criteria intended to underpin Europe's proposed monetary union, Germany's most eminent and garrulous spokesman on Emu yesterday came out with a comparatively clear counter-proposal.

Mr Hans Tietmeyer, whose other job is president of the Bundesbank, said maximum permissible budget deficits for would-be Emu members under the Maastricht treaties were at least double what they should

For a country such as Ger-

many, he said, 1 to 1.5 per cent of gross domestic product was nearer the mark than the "unambitious" 3 per cent written in the treaties.

Addressing a seminar in Bonn, where, as Mr Tietmeyer acknowledged, there is a

monetary policy and leave elected politicians to run the country and tend European affairs, he was careful not to present the formula as his own idea or one generated within

the central bank.

He used a routine trick to protect himself and the bank from charges of interfering in the political process, and presented his proposal in the form of a public endorsement of sug-gestions made by others. In this case, the delicit parameters were put forward last week by the so-called "five wise men", a group of independent advisers to the finance

Another increasingly familiar ploy was put to work in the same speech yesterday. "Of course, the Bundesbank is no more responsible for social policy than it is for finance policy..." he said, prefacing a catalogue of characteristically

But as the increasingly pre-scriptive tone of Mr Tietmey-er's speeches and media inter-

views indicates, the convention that central bank officials should avoid political interference is one which chafes sorely. As a one-time state secretary

in the finance ministry, and responsible for the Bundesbank's foreign relations before his elevation to the presidency a year ago, Mr Tietmeyer is well known internationally and well accustomed to agenda-setting. Partly as a result he is also proving to be far more confident than his predecessor, Mr Helmut Schlesinger - not to mention his current colleagues on the permanent directorate - at manoeuvring on the knife-edge between

managing monetary policy and overt politicking. But his apparent command of the broad horizons is also

of Mr Otmar Issing, chief econ-omist for the Bundesbank's directorate, has granted him-self almost exclusive rights as public spokesman for the Bundesbank.

Mr Tietmever took a firm hold of the Bundesbank's external communications after loose talk by some of his col-leagues led to confusion about the directorate's policy aims early this year, and when con-fused explanations of rampant money supply growth brought the bank's prized credibility into anestion

He has not let up since. In the first 12 months of his presidency he has made more than twice as many speeches as Mr Schlesinger in his last year of office. Mr Helmut Scheiber, his own successor as Bundesbank "foreign minister", has hardly been heard at all above the noise of the president's constant protests that the Maaspolitically for the great leap into monetary union.

Mr Tietmeyer's close personal knowledge of Chancellor Helmut Kohl has hitherto helped him judge how forcefully he can press for his rigor-ous European policy prescriptions without overstepping the mark. Now, with the weakened coalition government still unsure of its capacity to act decisively, he may feel even more confident of speaking his mind and issuing his prescrip-

tions. He will certainly be encouraged to speak out further by the prospect of the looming EU summit in Sssen on December 9 and 10 to seal Germany's sixmonth presidency. Whatever Mr Kohl's ambitions for the grand occasion, Germany's most listened-to Emu spokes man is unlikely to allow any of the leaders to return home

# EU's outstretched hand to the east begins to waver

By Lionel Barber in Brussels

Germany is having second thoughts about inviting central and eastern European leaders to next month's European Union summit in Essen, despite piedges to make the meeting a cornerstone of the strategy to build a "wider Europe".

German doubts appear to stem from sensitivities toward France, which earlier this year expressed reservations about Germany's championing of the cause of enlargement of the Union to the

But Bonn is also concerned about

generous EU market access package for the former communist countries. Without such a deal - and a clear EU consensus on how to proceed with enlargement to the east - German officials fear that the Essen summit could be branded as a fail-

ambassador to the EU, said yesterday the Polish government had been told that Chancellor Helmut Kohl intended to invite the central and east Europeans to Essen.

However, some member states remained reluctant, with France holding out to delay the invitation until the next European summit in

Cannes in June 1995. "An invitation is still possible," he said, "but it is getting late,"

German officials confirmed this account, saying that France was anxious to host an important event at the end of the EU presidency which it takes over from Germany on January 1. French interest had grown after Spain, the successor EU presidency, won support for hosting a conference on the Mediterranean.

"It is very important to balance the regions," said one German official who pointed out that it might make more sense for France rather than Germany - to take the credit for a successful summit on strategy toward the East. Behind the diplomatic manoeu-

vring lies a debate within the European Union about how - and whether - to speed up the integration of eastern Europe, starting with the six EU associate members: Poland, the Czech republic, Hungary, Slovakia, Bulgaria and Romania, as well as the Baltic states and Slovenia.

Germany, worried about instability on its eastern borders, is pressing for early EU enlargement, possibly around the turn of the century. The UK shares this goal, but is worried that more EU members may trigger pressure for faster political

integration. France, backed by the Mediterranean bloc, wants to ensure that enlargement does not dilute the BU into a free-trade area.

All member states are worried about the cost: on present RU farm and regional aid policies, the EU budget for an enlarged Union would rise from Ecu30bn (£24bn) to Ecu45bn, and Ecu25bn to Ecu60bn respectively, according to a Euro-

pean Commission official. Paris and Bonn have co-operated with the European Commission in developing a "pre-accession" strategy, the centrepiece of which is a consultation paper which next spring will set out a list of measures

for the central and eastern Europeans to adopt to become fit for EU membership. Chrystia Freeland adds:

Hungary has proposed a firm timetable to negotiate its accession to the EU, calling for talks to begin as soon as the member states conclude their 1996 inter-governmental conference, leading to full membership by the year 2000. Mr Laszlo Kovacs, the Hungarian

foreign minister, called on the Com-mission to draw up its own formal opinion on his country's application for membership before the 1996 conference begins, in order to speed up

# French goal is faster decisions

By David Buchan and Edward Mortimer in Paris

France intends to use its forthcoming European Union presidency to start pushing for institutional reform in the 1996 constitutional conference, and to give Europe a stronger cul-

tural identity Mr Alain Lamassoure, EU affairs minister, yesterday told a seminar here that expansion of the Union to include three, and maybe four, new countries next year, and the perspective of future enlargement to the east, required "an institutional revolution", particularly in for-eign policy decision-making.

The minister suggested that one way of speeding Council of Ministers' decisions would be to hive off its lawmaking function into public sessions, with open debate and votes. Its executive role of managing the Union would remain confidential. In this latter role, the Council "must move further and faster in foreign policy and defence", as illustrated by its shortcomings in Bosnia.

Mr Lamassoure reiterated a previous suggestion that the EU must have some kind of body to define, propose and implement its planned common foreign policy, just as the European Commission does for internal Union policies.

However, he stressed that while the government had

decided on the broad outlines of its presidency programme -which Prime Minister Edouard Balladur is expected to unveil in early December - its plans had yet to receive the green light from President François Mitterrand. At last week's Anglo-French summit at Chartres, the president said the 1996 conference should first consolidate commitments of the Maastricht treaty before embarking on new initiatives.

Separately, in an interview. Mr Jacques Toubon, culture minister, said France would pursue three priorities during its presidency. First, it would seek revision of the satellite broadcasting directive to place more control with countries such as France receiving English-language broadcasts and less with those countries, such as the UK, from which transmission took place. Secondly, France would try

to interest its partners in committing themselves to an intergovernmental convention requiring the teaching of at least two foreign languages. "The first foreign language taught would almost always be English, but the second might be French, Spanish or Ger-man," he said. Lastly, Paris would urge the EU to increase funding for its "Media Programme" to help the distribu-tion and promotion of Euro-

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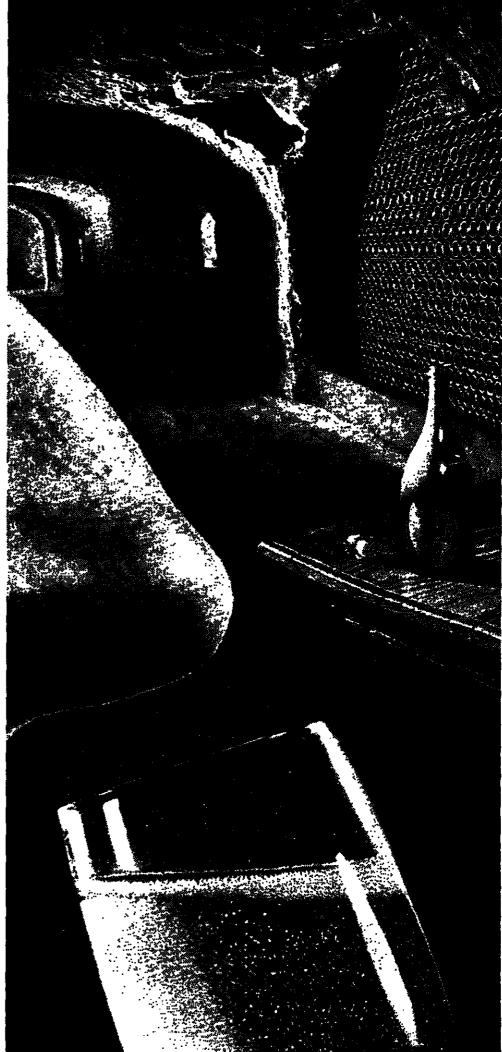
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# Asian oilmen's troublesome pipedreams

New routes are the key to exploiting the region's big reserves, write Steve Levine and John Lloyd

ailure to find politically acceptable export routes is impeding the flow of oil and natural gas from central Asia to western markets. Three deals depend wholly or largely on pipeline routes out of the Caspian for their viabil-

First, the US oil company Chevron's project at Tengiz in Kazakhstan - in which over \$600m has been invested and around \$20bn is scheduled to be put in during the project's 40-year life - still awaits agreement on financing a new export pipeline. Only 60,000 barrels a day are allowed through the existing pipelines.

Secondly, the \$8bn deal between a group of 10 foreign oil companies led by BP and the Azerbaijan government to exploit reserves off Baku was ratified by the Azerbaijani parliament last week – but no route out for the oil is agreed. Thirdly, a deal should be

closed by November 30 to allow development of the massive Karachaganak gas field in Kazakhstan by British Gas and Agip of France - but it lacks

have sought or agreed Russian participation to satisfy Moscow's demands that it benefits from the deals. But so far the result has been deadlock: "Russia does not seem so interested in making money as in keeping all of these countries under its thumb," says one frustrated oil company executive in Alma Ata.

The contrasting view is that the blockages are temporary and that the sheer energy wealth of the area will sooner rather than later produce agreements. Mr Steve Remp. chairman of the British oil services company Ramco, a member of the Azerbaijani consortium, says that "what you will see in due course is that the issue will turn from being a liability to being a very positive generator of income for the area".

The key player in these increasingly grand geopolitical manoeuvres is Russia. Mr Yuri Shafranik, the Russian energy minister, made clear last week that Russia must have a major stake in all energy projects. This policy which has meant

In each case, the companies that the Lukoil oil company and the Gasprom gas corporation have substantial stakes in the Azerbaijani and Karachaganak fields, and that Russian pressure has been able to block any pipeline deal.

A host of different schemes are now being discussed by the states and companies involved - all of which would require multi-billion dollar financing. • Upgrading the existing pipe line which carries Russian and some Chevron oil to Novorossisk, Russia's main oil export-

ing port on the Black Sea.

One plan being considered

by the Baku consortium is to reverse the pipeline which used to carry crude from the Russian province of Tyumen to the Baku refinery, so that it carried Azerbaijani oil out to join an existing pipeline to Novorossisk. This line could also carry oil from Kazakhstan. The largest problem comes after Novorossisk. Turkey, pressing for a line through its territory, has said the Bosphorous straits through which ships from Novorossisk must pass, cannot take any more

tankers: the Russians have

responded by proposing that the oil is transhipped to Burgas, on the coast of Bulgaria, then piped to the Greek port of Alexandroupolis.

 A line through Iran or Georgia to meet an existing line which had carried Iraqi crude to the Turkish Mediterranean port of Ceyhan. The problem with this line is that it goes through Kurdish areas but avoids the Bosphorous. Further, Azerbaijan announced last week that the Iranian Oil Company had joined the consortium - prompting speculation that this route, or another through Iranian territory. could now be in prospect.

· A line through Georgia to the port of Batumi on the Black Sea - to be again transhipped to Burgas, piped to Alexandroupolis and out through the Mediterranean. Georgia would benefit from this - but the government is in no state to guarantee the security of the line. • The most radical proposal.

under study by Mitsubishi, is to construct a pipeline from Kazakhstan and Turkmenistan 1500km through western China



where it could link up with an existing pipeline from China's Tarim Basin to the coast. Turkmenistan, the region's main gas producer, needs a new exit most since Russia controls its gas lines beyond its borders and has put a block on

much of the expected \$1bn

annual proceeds from gas

sales. Three weeks ago a \$7bn gas pipeline project to take the gas to the Mediterranean was inaugurated - though no one believes the work will begin soon and many believe the project is more symbolic than real. The only sure thing is that the manoeuvres will conCONTRACTS & VENTURES

# France to supply Saudi frigates

France has won a FFr19bn (\$3.7bn) contract to supply Saudi Arabia with two 'stealth' frigates of its latest La Fayette class. Thomson-CSF, the electronics group, will be the prime contractor for the Saudi frigates. This reflects the degree to which the La Fayette ships, with their box-shaped superstructures designed to minimise radar echos, contain the latest electronics. The main French subcontractors to Thomson-CSF - whose own contract is worth 30 per cent of the total - are DCN, the state navy yard which will build the hulls, and Aérospatiale which will provide Exocet missiles.

The French defence industry has been complaining about the recent commercial offensive mounted by its US competitors in experi moulant. tors in export markets. But, strongly backed by the French government, it has pulled off successes this year by selling. Mirages to Qatar and frigates to Pakistan, The latest sale to Saudi Arabia is known as "Sawari 2", following the "Sawari 1" sale in 1980 of four French frigates. Earlier this year Thomson won the order to re-equip these four ships and to supply new land-based Crotale and Shahine missiles in a deal also worth around FFr6bn to the French company. David Buchan, Paris

Malaysia signs power contract

Tarmac, one of Britain's biggest construction groups, is to take the lead role in a \$250m contract to build a 1,000MW Malaysian power station which the British group says will be the largest in the country. The contract has been awarded to General Electric of the US but Tarmac is expected to be responsible for about three-quarters of the work.

The ban by the Malaysian government on awarding public sector contracts to British companies, only recently lifted, meant that the successful bid involving Tarmac, Black and Veatch, the US power station designers, and GE only remained in the running if the contract was to be awarded to a non-British company. TBV Power, a joint venture between Tarmac and Black and Veatch, will be responsible for designing, constructing and supplying equipment for phase three of the Sultan Salahuddin Abdul Aziz power station complex at Kepar in Selangor state. GE is to supply the turbines.

The power station, involving two 500MW steam turbine

generators, is for the state power utility Tenaga Nasional Berhad and will supply electricity to Kuala Lumpur and the industrial Kelang Valley. Mr Neville Simms, Tarmac chief executive, said the contract, the biggest won by the group this year, formed "part of the group's new strategy to concentrate our efforts towards the growing markets in the Far East and Pacific rim". Andrew Toylor, Construction Correspondent

Alcatel in Egypt-Jordan deal

Alcatel Kabel Norge, the Norwegian subsidiary of Alcatel Alsthom, has signed a \$70m contract with the power ministries of Egypt and Jordan to supply and install submarine cables to link their two electricity grids by 1997. The company will supply four cables to run 13km under the Gulf of Aqaba from the Egyptian resort of Taba to Aqaba on the Jordanian coast. The Kuwait-based Arab Fund for Economic and Social

Development is providing full financing for the deal.

The deal is the first phase of an eventual plan to link the power grids of Egypt, Jordan, Syria, Lebanon, and Turkey and possibly also Israel, at a later stage in the present Middle East peace process. The cables will run to a depth of 800m, creating a world record for the laying of high voltage cables, according to Mr Ole Olavsen, Alcatel Kabel Norge's Middle East area

The Egypt-Jordan cable contract was agreed as a submarine link when it was signed in August, before the recent peace agreement between Israel and Jordan. Egyptian electricity ministry officials have left open the possibility that Israel could join the shared grid later. Mr Olavsen said a route survey would begin almost immediately, cables would be made and tested in Norway in 1996 and the link laid in the Gulf of Agaba in the first quarter of 1997. Mark Nicholson, Cairo

### US-India link on aluminium

Reynolds Metals, the second largest US aluminium group, has signed several agreements to share its aluminium production and fabrication technology with two Indian groups: Hindustan Aluminium (Hindalco) and Sudarshan Aluminium (Sudal)

As an initial step, Reynolds is completing joint feasibility studies in the areas of primary aluminium production, aluminium automotive applications and packaging, said Mr Sekander Ahmad, vice president of strategic planning for Reynolds International.

Reynolds will help Hindalco, a subsidiary of the Birla Group. with three projects at its facility in Renukoot: upgrading an extrusion plant, expanding alumina refining operations and the installation and operation of an aluminium foil-rolling plant, scheduled to start in 1996. Sudal will be helped to upgrade its extrusion operation at Poona, which serves the architectural market. Kenneth Gooding, Mining Correspondent

■ Ingersoll-Rand, the US industrial equipment group, has won a \$6.5m contract from Gasprom, the Russian gas monopoly, for German-made Klemm ground engineering drills, UK made portable compressors and other equipment. Delivery will take place in January to February next year. Andrew Baxter, Landon John Brown, part of the Trafalgar House engineering divi-

sion, is to build two multi-million dollar projects in Chile and New Zealand for Methanex of Canada, the world's largest producer of methanol. Both projects involve expansion of existing Methanex plants. Terms were not disclosed but the proposed Chile contract, for which John Brown has signed a letter of intent, comprises most of the \$275m which Methanex is spending on the project. Andrew Baxter, London. ■ Tokyo Seimitsu, the maker of semiconductor manufactur-

ing systems, has tied up with Carl-Zeiss, the German optical instruments manufacturer, to supply and market precision measuring instruments. The two companies will co-operate in the supply of parts and open their marketing channels to each other. Tokyo Seimitsu will concentrate on developing instruments for measuring cylinders and Carl-Zeiss will focus on three-dimensional measuring instruments. The tie-up will provide Tokyo Seimitsu with a marketing route in Europe, where it has very little experience, and allow Carl-Zeiss to penetrate the Japanese market. Michiyo Nakamoto, Tokyo

# Gatt criticises Canada's high farm trade tariffs

By Frances Wilflams In Geneva

Canada has made considerable strides in liberalising trade and industrial policies but lingering high trade barriers remain. an obstacle to growth and job creation, according to the Gatt secretariat in a report published yesterday.

The report, the third on Canada's trade policies and practices by the General Agree-

singles out for criticism high tariffs on imports of farm produce, barriers to trade between the provinces and the proliferation of anti-dumping and antisubsidy suits over the last two

It also expresses concern over Canada's rapidly expanding trade with the US, noting the fears of trading partners that they may be the losers in diversion of trade to the US and Mexico, Canada's partners

in the North American Free Trade Agreement (Nafta).

Gatt points out that rising exports have helped fuel Canada's economic recovery since 1992 but this has been largely due to higher deliveries to the

The US share in Canada's exports has risen from around 75 per cent in 1990 and 1991 to more than 80 per cent in 1993. Exports to other countries stagnated over this period.

Worries that Nafta, which came into force at the beginning of this year, could spur trade diversion featured prominently in yesterday's discussion of the report by Gatt's

governing council.

In reply, Canada said it was trying to diversify its trade. especially towards Asia. Under the Uruguay Round global trade accords. Canada will reduce industrial tariffs by 40 per cent, a little above the have become a major problem

But its farm trade barriers will remain relatively high.

in the short to medium term. the dairy, poultry and eggs sectors will be effectively closed to imports, Gatt notes. Over 100 agricultural import quotas will be replaced by tariffs averaging 205 per cent in 1995 and 174 per cent in 2000. The report says the estimated 500 or so inter-provincial trade barriers

average for developed nations. for Canadian business, hampering the free internal flow of goods and services.

It also points out that the number of anti-dumping and countervailing duty actions has increased markedly since the last report in 1992, largely concentrated on steel. With over 80 anti-dumping measures covering 23 products currently in place. Canada is the third largest user among Gatt members, the report says.

INVITATION TO TENDER FOR THE HIGHEST BID for the purchase of the assets of Kassandra Mines of the Company

"HELLENIC CHEMICAL PRODUCTS & FERTILIZERS COMPANY S.A."

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" in its capacity as Liquidator of "HELLENIC CHEMICAL PRODUCTS & FERTILIZERS COMPANY S.A." of 20, Amalias Avenue, Athens, Greece ("the Company"), which has been declared by virtue of Decision No. 4299/1992 of the Athens Court of Appeal (in conjunction with Decision No. 7714/20.7.1992 of the same court, allowing the separate sale of the production units of the Company) under special liquidation, upon instructions of the National Bank of Greece S.A. and Hellenic Industrial and Development Bank S.A., being creditors representing more than 51% of the claims against the company pursuant to par.11a of article 46a of Law 1892/1990 (as supplemented by article 53 of Law 2224/1994)

for the highest bid by submission of sealed binding offers for the purchase by a third public auction (the "Auction") of the essets of the production unit of Kassandra Mines of the Company and for the establishment of a gold

BRIEF INFORMATION: Kassandra Mines are located in the region of Stratoni and Olympic villages in the Chalkidild Peninsula (Northern Greece) and cover an area of 1.660.400 sq.m. including workers' houses, three differential floatation are plants with an annual capacity of 700,000 tons for the first two plants and 400,000 tons for the third one. (It should be noted that legal proceedings against the Stratoni Community with respect to the possession on an area of 16 sq.km are pending). There are proven mixed sulphide (Pb-Zn-Ag-Au) are reserves amounting to 10.8 million tons (including 9.8 million tons of <u>Auriferous ore</u>), and 4.5 million tons of probable reserves (of which approximately 4.1 million tons of <u>Auriferous ore</u>), as well as 11 million tons of Pyrite, 4 million tons of Pyrolousite & Rodochrosite and 90 million tons of poor purphyry copper-gold are reserves. There are especially constructed shipping loading facilities directly into the Aegean Sea. The Company holds mining concession over a total area of 314 sq.Km. The mines are currently in operation with a personnel of 916 employees.

OFFERING MEMORANDUM - FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum describing the assets of Kassandra Mines and any further information, upon execution of a

### TERMS AND CONDITIONS OF THE AUCTION

1. GENERAL: The present Auction constitutes the third one to take place, according to paragraph 11a of article 46a of L. 1892/1990 (as supplemented by art. 53 of Law 2224/1994) and is subject to the terms and conditions set forth herein and in the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespectively of whether they are mentioned herein or not.

2. BINDING OFFERS: In order to participate in the Auction, interested parties are bareby invited subtait sealed binding offers, not later than 19th of December 1994, 13.00 bours, to the Athens Notary Public Mrs. loarne Gavrieli - Anagnostalaki, address: 18, Fidiou Str. Athens, Greece, tel: +30-1-3619728, fax: +30-1-362.51.91.

Binding offers should expressly state the offered price and the detailed terms of payment (in cash or instalment, mentioning the number of installments, the dates thereof and the proposed annual interest rate, if any). In the event of not specifying a) the way of payment, b) whether the installments bear interest and c) the interest rate, then it shall be deemed that a) the offered price is payable immediately in cash, b) the installments shall bear no interest rate shall be the legal rate in force. Binding offers submitted later than the above date and offers not accompanied by a Letter of Guarantee (see below Term 3) shall neither be accepted nor considered. The offers shall be binding until the adjudication. Should any offer be made on behalf of a third party, this will be valid only if it has already been stated so at the time of submission, as well as on condition that the party submitting the offer guarantees that the third party will carry out the obligations, contained in the offer and in the contract of gale.

3. LETTERS OF GUARANTEE: Each binding offer must be accompanied by a Letter of Guarantee, issued in accordance with the draft form contained in the Offering Memorandum by a bank legally operating in Greece and valid until the adjudication, for the amount of DRS. THREE HUNDRED AND FIFTY MILLION (350,000,000.-). Letters of Guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms referred to in paragraph 1 hereof, the Letter of Guarantee shall be forfeited as a penalty.

4. SUBMISSION OF BUSINESS PLAN AND INVESTMENT PLAN: Offers submitted should be accompanied by: a) A Business plan related to the development of Kassandra Mines and the establishment of a gold plant. Among other things the Besiness Plan should include the following:

- Development strategy of the undertaking,

- Short and Long term plans.

- Lines of business. - 10 year financial and cash flow forecasts,

- Internal Rate of Return (LR.R.) on the investment and on the invested own funds, and

Also included should be a brief description of the proposed production method and of the environment measures which will be applied at the gold plant to be established.

b) An investment plan (amount and type of investment, time schedule for its implementation, financing)

c) An Employment Fish (number of employees, duration, time schedule of employment) d) A Pusposal regarding warranties offered as to a possible payment by installments and the implementation of the Business, the investment and the Employment Plans, as above

e) Information regarding the financial position of the interested parties, as well as, a review of their business activity 5. SUBMISSIONS: Binding offers together with the Letter of Guarantee, the Investment Plan, the Business Plan and the other documents referred to in term 4 bereimshove shall be submitted shall be made in person or through

6. Envelopes containing the binding offers shall be unscaled by the above mentioned Notary Public in her office on the 20th of December 1994 at 9.30 hours a.m. Any party having duly submitted a binding offer is entitled to attend and sign the deed attesting the unscaling of the binding offers.

7. As highest bidder shall be cassidered the participant, whose offer will be judged, by creditors representing more than 51% of the claims against the Company (the "Creditors") upon suggestion by the Liquidator, to be the

In assessing the offers submitted, the following points will be taken into account

- Offer Price Business Plan

- Investment Plan - Employment Plan

- The cavironment implications of the proposed production methods

- Warrauties - Investors trustworthiness (according to banking criteria)

it should be noted that:

- for the purposes of evaluating offers submitted in a foreign currency, these shall be converted into drackmae on the basis of the fixing exchange rate as set by the Bank of Greece, pertaining on the 19th of December 199

8. The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon Adjudication shall be deemed to take affect upon execution of the contract of sale. 9. In view of the fact that the Kassandra Mines are being sold as an on-going concern, the level of current assets change daily. In this respect, certain special terms are included to the assessment of offers in relation to the level

10. All costs and expenses of any nature, including any text duties, custom duties, any charges in favour of the state or third parties, which may need to be paid (other than those exempted by the applicable Law) in respect of the participation in the Auction and the transfer of the assets officed hereby for sale, the sale contract, as well as any other act prior or subsequent to the transfer of assets shall be exclusively borne by the participants and the purchaser respectively.

11. The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The Liquidator, the Creditors and th notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right towards adjudication nor do participants acquire any right power or claim from this invitation and/or their participanton in the Auction against the Liquidator and/or the Creditors for any

12. This Invitation has been drafted in Greek and translated into English. In any event the Greek version shall prevail.

ANNOUNCEMENT BY A THIRD PARTY

The Liquidator has been asked by the Deputy Minister of Industry, Energy and Technology acting on behalf of the Greek Government to make the following amounteements:

s. The establishment of a gold plant project has been included in the "Business Plan for Industry" of the 2nd Community Support Framework already approved by the E.C.

b. The Greek Government guarantees the granting of all necessary installation licences concessions and other State approvals required by law.

A copy of a letter to the above effect, signed by the Minister in charge will be given to all interested parties together with the Offering Memorandum

PURTHER INFORMATION: For further information, as well as in order to obtain a copy of the Offering Memorandum, please contact the Liquidator of the Company: "ETHNIKI KEPHALEOU S.A. Autominion and Liabilities", at I. Skouleniou Street, Athens 105 61 Greece, tel: +30-1-323.14.84/5/6/7, feer; +30-1-321.79.05 (atm. Mrs. Marilas Françakia) or the Liquidator's agents Messas. John Detsis and Stratos Michaelides, at 20, Angalias Avenne, Athens 105 57, Greece, tel: +30-1-323,60.11, faz: +30-1-322.11.03. telex 215160 OXEAL 14.1L.94

# **US** agrees to accept Australian beef tests

By Nikki Tait in Sydney

The US yesterday agreed to release for sale Australian beef exported after October 25 but said it required further testing of beef exported before that date because of possible contamination from a chemical used in the growing of

Recent decisions by the US and Japan to temporarily ban the sale of Australian beef have clouded the industry, which earns around A\$3bn (\$2.2bn) of overseas revenue annually, making it the nation's third largest export sector. The US and Japan account for about threequarters of those sales.

The Cattle Council of Australia. representing Australian cattle farmers, expressed relief that the US had agreed to accept the testing procedures which Australia now has in place. Samples of beef exported to the US before October 25 and still in the export pipeline are due to be returned to Australia where the tests will be conducted later this

Despite progress on the US front. Australia has yet to allay Japanese concerns. Moreover, a number of smaller buyers of Australian beef - including Canada, South Korea. Taiwan and Mexico - are understood to have joined the temporary ban. According to federal officials, more than 12,000 tonnes of Australian beef is being held at storage or customs facilities in these countries. while around 30,000 tonnes is in the Japanese pipe-

Senator Bob Collins, federal primary industries minister. yesterday acknowledged that the problem was not over "by a long shot", although he added that Australia was "hopeful" that other countries would follow the US lead. Beef shipments made before October 25 and still in the export process are estimated to be worth between A\$200m and A\$250m.

The problem occured when some farmers fed cotton waste to cattle after normal grain supplies were affected by a severe drought on the east coast. The CCA has said that the chemical is non-toxic and that only a very small proportion of Australian cattle those fed cotton waste from irrigated cotton - have any chance of being affected. All livestock from affected areas, predominantly in New South Wales, were being

However, the beef industry has acknowledged that the adverse publicity from the contamination issue could be damaging in the longer

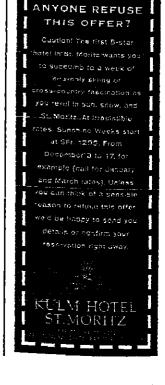
tested.

# LEGAL NOTICES

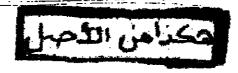
The Company Secretary
Notice of appointment of
Administrative Receivers
Junkel Schomers Limbted
Registered number: 22017/0. Nature of business:
Yazha building. Date of instrument under which
appointed: 12 May 1993. Brief description of
instrument: Fixed and flouting charge.
Description of savets in respect of which appointed
most made: All the property, insects, undertakings
and tights present and future of the company.
These of appuintment of administrative receivers:
15 November 1994. Nature of person appointing
the administrative receivers: Lloyde Bank, Pic.
Joint Administrative Receivers: NJ Vuoght and E
M States. Office holder numbers: 6339 and 7925. Joint Administrative Receivers: NJ Vacabit and E M Shirus. Office bookler numbers: 6339 and 7925. Addresses: Coopers & Lybrand, Hilligate Hume. 20 Olf Balley. London BCAV 7PL and Coopers & Lybrand, Orchard House. 10 Albion Place, Maintenan. ARTLL 879. dstoge, ME14 5DZ

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

Whitwick Englacering Co Limited in Receivership. Nature of business: Steel fabrications design and manufacture. Trade classification: 07. Date of appointment of Joint Administrative Receivers: 11 November 1944. Name of person appointing the John Administrative Receivers: Barclays Bank ple. LYNN ROBERT BAILEY and STEPHEN NONATHAN TAYLOR Joint Administrative Receivers. (Office bother numbers 64% and 781). Coopers & Lybrand, Absens House, 32 Friar Lane, Leiscater LSI SRA



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Sames Sa FINANCIAL TIMES WEDNESDAY NOVEMBER 23 1994

**1970 JAPAN 1971 JAPAN 1972 JAPAN 1973 JAPAN 1974 JAPAN 1975 JAPAN 1976 JAPAN 1977 JAPAN 1978 JAPAN 1979 JAPAN 1980 JAPAN 1981 JAPAN 1982 JAPAN 1983 JAPAN 1984 JAPAN 1985 JAPAN 1986 JAPAN 1987 JAPAN 1988 JAPAN 1989 JAPAN 1990 JAPAN 1992 JAPAN 1993 JAPAN** 

# SOMETHING STRANGE HAS HAPPENED TO THE WORLD'S ANNUAL AWARD FOR CONSISTENCY. INCONSISTENCY.

**1994 ITALY** 

And as a result Pirelli is pleased to announce that it's tyre plant in Izmit, Turkey has received the prestigious Japanese "TPM award for excellent factory" for 1994. An award that up to now has been dominated by the Japanese themselves.



POWER IS NOTHING WITHOUT CONTROL.

Bank lottery becomes freedom fight



# Beijing, Hanoi aim to settle **Spratlys row**

Sea because there are four China and Vietnam agreed yesterday to work peacefully to resolve their disputes over territorial and maritime boundaries, and are to set up a group of experts to discuss their rival claims to the Spratly atolis and the waters of the South China

A joint communiqué released at the end of a three-day visit to Vietnam by China's President Jiang Zemin said the two governments agreed to "refrain from all acts that make things more complicated or broaden

The dispute over the South China Sea is especially sensitive, because each country is seeking to exploit oil and gas reserves believed to lie under the sea bed. Both countries have awarded oil exploration contracts to US oil companies

in disputed waters. Mr Qian Qichen, Chinese foreign minister, said in the Vietnamese capital Hanoi the two sides could shelve disputes and start "joint development" if problems could not be resolved in talks immediately.

Joint development of possible oil and gas fields in disnuted maritime areas is a proven method of overcoming conflicts between two counThe struggle is on to loosen Japan's iron controls, Gerard Baker writes **T**t started as a simple but ingenious marketing wheeze designed to lure customers in Japan's newly-liberalised market for bank

deposits. But Johnan Shinkin's "Super Dream" account has become a national cause celèbre, a struggle by an independent-minded business to break free from the iron grip of regulatory controls.

The account was launched two weeks ago by the nation's largest credit bank, with the novel attraction of a lottery for savers. The standard interest rate on a one-year deposit would be 2.1 per cent, in line with similar one-year rates, but Johnan announced that every six months its customers would be entered in a lottery, with dozens of prizes to a maximum of Y50,000 (£324). Savers would have a one in 30 chance of winning a prize.

The new account was a spectacular success with savers who queued outside Johnan Shinkin's branches and poured a total of Y10bn (£64m) into "Super Dream" deposits on the first day alone.

But if it was a predictable hit with the public, it got an equally unsurprising thumbsdown from Johnan's banking competitors. They immediately cried foul, claiming the account broke a self-imposed

Most of Japan's main economic indicators are continuing to improve. according to the latest monthly performance index from the Economic Planning its members' complaints by Agency, William Dawkins condemning the bank's reports from Tokyo. Its leading scheme, upholding their objecindex, a basket of economic tion that it broke the voluntary indicators pointing to

conditions a few months ahead, stood a 54.5 in September, the ninth month for which it has stayed above 50, the dividing line between growth and decline. EPA officials expects the leading indicator to continue to point to growth in October, on the back of rising industrial output. Manufacturing output increased by 1.6 per cent in the three months to

September, achieving the third quarterly rise running. according to the Ministry of International Trade and Industry. Production continued to grow in October and November, said a separate Bank of Japan report

rule by banks that they would not offer cash bonuses of more than a few hundred yen as incentives to depositors to open accounts.

The cuddly toy has long been

marketing techniques, but cash prizes because even offering customers money is considered strictly out of bounds. The National Association of Shinkin Banks (small est rates." savings co-operatives) to which Johnan belongs, responded to

rule, and warning other members not to follow suit. in the public outcry that followed, the country's Fair Trade Commission comfiture. announced that it would investigate the NASB itself to determine whether its actions repre-

The row has raised questions about the real extent of the freedom banks are supposed to enjoy as a result of financial liberalisation, and has aroused suspicions that the muchvaunted deregulation is not really much of a reform at all. Last month, the final restrictions on bank deposit interest rates were lifted by the finance ministry. Since then banks have been free to offer depositors any rate they choose. But,

as Johnan's president. Mr

Minoru Makabe, points out, the

advantages have somehow not

Move is further sign of trouble for country's privatisation programme

sented a violation of Japan's

anti-trust legislation.

been felt by the depositor. We have had many custom-

though the financial sector has supposedly been deregulated. banks still offer similar inter-

Mr Makabe argues that his rivals' objections are actually based on a conspiracy to deprive the public of the fruits of deregulation.

His lottery account represents, in effect, an extra 0.2 per cent on the average deposit rate, a fact he claims is the real cause of the other banks' dis-

But in an ominous move, the finance ministry, which regulates the banking sector, last week announced the formation of a panel to investigate the account and to recommend what kinds of financial products might be considered

Mr Jiro Szito, the top official at the ministry, acknowledged the probable legality of Johnan's action but said: "The law is not everything".

Critics see the ministry's more as an attempt to consolidate its tight control even after the apparent liberalisation. "This committee should rec-

ommend how the ministry should play a proper administrative role in the era of market liberalisation," said Mr Makabe. "It should conduct a ers saying they appreciate the drastic review of self-imposed

rules that restrict competi-It may prove difficult for the

ministry to put the genie back in the bottle. The account has won widespread support, and has come to be regarded as a symbol of the entrepreneur's fight on

big government and big busi-Any attempt to rein it in would be regarded with hostility by the Japanese public.

behalf of the consumer against

The latest agency implicitly to declare its hand has been the National Tax Administration Agency, which said on Monday it would treat winnings in the lottery as non-tax-

But the most significant threat to the regulators' plans could be the very phenomenon they were supposed to be encouraging competition. At the weekend four banks announced they were breaking ranks with their association and launching similar lott-

Mr Toshio Taga, senior executive manager at Shonan Shinkin bank, one of the institutions planning to follow suit, said: "There is no other product which can collect tens of billions of yen in several days. This means users want it. It is a depositors' rebellion.

# Interest rates edge up in Japan

By Gerard Baker in Tokyo

The cost of borrowing in Japan has started to rise again after three years of easier monetary

conditions. The government's Housing Loan Corporation said yesterday it would raise its mortgage rates by up to 0.25 per cent next month. The decision. which follows recent increases in other public sector loan rates, comes as commercial banks struggle to avoid a rise in lending rates that would further reduce demand for loans.

The upward pressure on leading costs stems from the gradual rise in money market interest rates since the summer. Having fallen steadily since late 1991 as the economy plunged into recession, the overnight call rate - the principal very short-term money market figure - touched bottom in July, reaching 2 per cent. Since then it has edged up to nearly 2.3 per cent this week. This rise has been reflected in an increase in bank deposit rates - threemonth certificate of deposits have moved in line with the

overnight rate.
The higher cost of funds has further trimmed banks' razorthin lending margins – the short-term prime lending rate has been unchanged at 3 per cent for more than a year.

The upward drift in banks' borrowing costs has been caused by a shift in sentiment in financial markets that the economic recovery, which has so far been sluggish, is set to strengthen. The Bank of Japan, which has adopted a bullish stance on economic prospects has allowed rates to rise in line with its own expectations of improving growth prospects.

As bond prices have fallen in

line with global bond markets, long-term lending rates have risen and that has added to the pressure on short-term rates.

Banks, however, are caught in a vice between increases in their borrowing costs, and limited demand for lending. They have been reluctant to raise their prime rates in a stagmant

other claimants to some or all of the islands: Taiwan, Malaysia, the Philippines and Brunei Relations between Hanoi and Beijing have improved in the past few years following a war in 1979 in which China invaded northern Vietnam to retaliate against the Vietnamese invasion of Cambodia and the overthrow of the Chinese-backed Khmer Rouge government in

Phnom Penh. But Vietnamese officials say China has recently encroached on their territory, refused to open a railway link to allow normal trade across the land frontier, and let Chinese traders smuggle cheap Chinese goods into Vietnam.

Mr Jiang's visit, the first by a Chinese president, may not have brought much in the way of concrete achievements, but suggests the two governments want to set aside their differences and concentrate on the similar challenges each faces: keeping their one-party communist political systems intact while liberalising the economy.

"Both of our two countries are now working to develop our economies and improve the livelihood of the people," Mr Qian said. "For that purpose we need to establish friendly

# Unilever drops \$60m Kazakh plant bid By Steve LeVine in Alma Ata

The Anglo-Dutch company Unilever has withdrawn a \$60m bid for two state-owned margarine factories in Kazakhstan, in a further sign of trouble for the country's privatisation programme.

The withdrawal this week comes two months after the Kazakhstan parliament began pushing to suspend the privatisation programme alleging that auctions had been fixed to benefit powerful families.

The state privatisation committee has set a December 1 deadline for Unilever to submit new bid for the factories, located at Alma Ata and Karaganda, Ms Susan Bruno of KPMG Peat Marwick, which advises the state committee.

"They [Unilever] are definitely still interested. They want to keep this thing alive. Ms Bruno said in a telephone interview. Unilever won a tender for

the plants and signed a preliminary agreement in June, a deal worth \$60m in cash and investment. The deal was supposed to close in August, but Unilever began having difficulty obtaining licences and guarantees from various gov-

Finally, the company was unable to obtain a guarantee for a steady local supply of its main staple, sunflower oil, omething that had been stipulated in the preliminary agree-

The company's new offer could be lower, since it appears it must supply its own sunflower oil from outside the republic, Ms Bruno said.

The Unilever deal is important, since it is one of three large initial privatisations meant to send a signal to foreign investors that Kazakhstan is serious about attracting outside capital.

One of the two other deals,

RJR Nabisco's purchase last summer of two confectionary plants, also seemed in doubt when state officials began trying to alter parts of the contract, according to western businessmen close to the deal.

As a whole, Kazakhstan's seven-month-old privatisation programme has produced mixed results.

The programme is divided into three parts - tenders of large enterprises such as the confectionary and margarine plants; mass auctions of some 7.500 small and medium-sized enterprises: and privatisation of small concerns such as

medium and large-scale enter prises has been slow. Western diplomats, for example, confirmed that the sale of medium-sized concerns initially did appear to have been

The small-scale privatisation

appears to have gone well, dip-

lomats and western business analysts say, but the sale of

Many were sold to favoured families without prior advertisement of the properties, they

"A lot of them were done very quickly, and ended up in the hands of the rich and famous," said one western dip-

### **CONTRACTS & TENDERS**

REPUBLIC OF GHANA VOLTA RIVER AUTHORITY NATIONAL ELECTRIFICATION PROJECT

ion to Tender is issued by the Voka River Authority (VRA) for rification of District Capitals in Brong Abofo, Upper Hast and Northern

en currency portion will be financed by Internation on (IDA) and the local currency portion by VRA.

VRA invites Tenders from reputable and experienced Companies from the World ank member countries, Switzerland, Taiwan and China es well as from Ghanais sanies registered in China.

850 km of 34.5kV Subtransmission Line

Distribution Networks in 13 District Capitals. 34.5/1LSkV Substation at Galaga. 161kV/34.5kV Substation at Yendi.

invember 21, 1994. Tenders should be received by February 20 1995.

ents by submitting the request acco Documents by submitting the request accompanied by a certified cheque in the innount of US\$600 or US\$900. It is requested that the documents should be sent by

VOLTA RIVER AUTHORITY Director, Engineering, Design and Construction P.O. Box M.77 Access, Ghann Fax. No. 233 21 684829 Telex: 2410 VRAKUS GH

ESTADO DO PARANÁ
SECRETARIA DA AGRICULTURA E DO ABASTECIMENTO
Instituo Agronómico do Paraná



TELEMETRIC SYSTEM FOR THE COLLECTION OF METEOROLOGICAL AND HYDROLOGICAL SURFACE DATA INTERNATIONAL TENDER SIMEPAR No. 001/94 ADDENDUM No.2

The AGRONOMIC INSTITUTE OF PARANA - IABAR wishes to inform that the International Tender SIMEPAR No. 001/94 has been postponed. The new date for the presentation of the envelopes containing the Documentation for Eligibility and insensacional teneer SIMILEPAR FOR ULLIPAR has been postponed. The investmention of the envelopes containing the Documentation for Proposals is January 6, 1995, at 2:00 pm, at the Pakána State Meteore - SIMEPAR, Polytechnic Center of the Federal University of Pales Americas, Curitiba - Pakána - Brazil. IAPAR wishes also to inform that the Addendum No. 2, that changes the confidence of the original edict will be available for collection from November 21, 1994.

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Proponents that the international Tender SIMEPAR is 002/94 has been postposed. The new date for the presentation of the envelopes containing the Documentation for Eligibility and Proposals is November 29, 1994, at 2:00 pm, at the Parant State Meteorological System - SIMEPAR, Polytechnic Center of the Federal University of Parana, Jardim das Américas, Carinha - Parana - Brazil.

All conditions of original Edict and its Addendum of 001 remains GONÇALO SIGNORELLI DE PARIAS

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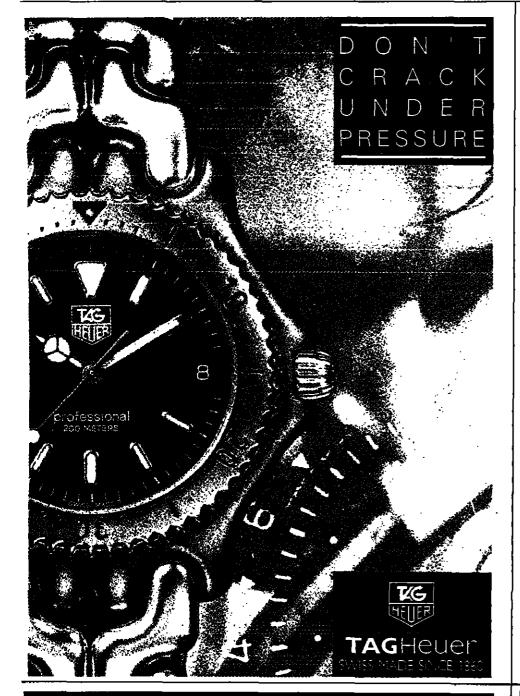
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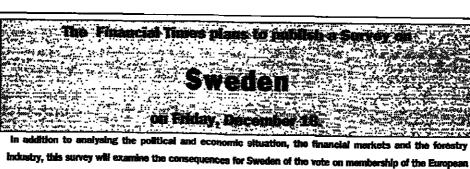
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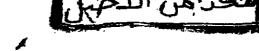
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INTERNATIONAL NEWS DIGEST

# Japan assailed over war sex

Japan has a moral and legal obligation to compensate the Asian women who were forced to provide sexual intercourse for its troops during the case of small small state international for its troops during the second world war, the International Commission of Jurists said yesterday. It urges the Japanese government to pay each former "comfort woman" an immediate \$40,000 (£25,500) in compensation, pending steps to provide "full rehabilitation and continuion" "full rehabilitation and restitution".

The commission's report is likely to embarrass Tokyo at a time when the Japanese government believes it is on the point of resolving an issue which has bedevilled diplomatic relations with its neighbours. At the end of August Mr Tomitchi Muray-ama, Japan's prime minister, announced a \$1bn fund to be used over the next 10 years for exchange programmes and vocational training centres for women as a token of apology for war atrocities. But the planned fund does not represent for war atrocities. But the planned fund does not represent compensation for the women involved.

The ICJ, which groups some 45 eminent jurists from around the world, is critical of the handling of the issue by Japan which, it says, appears to be aimed at placating sentiments rather than finding a solution. In thinly veiled language the ICJ accuses Tokyo of dragging its heels and covering up documentary evidence. The Japanese imperial army abducted 100,000 to 200,000 gromen and girls often as young as 13, to 100,000 to 200,000 women and girls, often as young as 13. to serve a vast network of "comfort stations", it notes.

If Japan does not take action, the matter should be pursued by an international tribunal or by the United Nations, the ICJ says, adding that the allied governments also bear a responsibility for ensuring the "comfort women" receive justice. Japan argues that war reparations to individuals and their families were formally settled by the 1951 San Francisco peace treaty. Many povernments including South Korea and Malays. treaty. Many governments, including South Korea and Malay-sla, have said they would not seek additional state-to-state reparations for comfort women. The acts should have been part of the war crimes trials after the war ended but were not, because the trials focused on acts committed against nationals of the allied powers, the ICJ argues.

The ICJ monitors and promotes the rule of law and human rights worldwide. As an non-governmental organisation it has no formal sanctions it can impose. Its reports do, however, carry weight with the UN and by publishing them it hopes the international community will put pressure on governments to correct human rights abuses. Frances Williams, Geneva and Robert Rice, London

### Glaxo bribe arrest in Japan

Japanese prosecutors arrested a doctor this week for allegedly receiving bribes from the Japanese arm of Glaxo, the UK drugs company, in arranging clinical tests for the company's blood pressure drug, Lacipil. Glaxo denied the accusations but has apologised "for causing a stir in society" and has with-drawn its application for the drug to be allowed on sale in Japan. It said yesterday that the application might proceed

Prosecutors arrested Mr Teruo Sugibayashi, a doctor at a national hospital in Chiba, east of Tokyo, for allegedly receiving over Ylm (£650,000) from Nippon Glaxo during 1991 and 1993. The arrest follows three others earlier this month - two Nippon Glaxo officials and a doctor in western Japan - were on bribery charges. Mr Tsutomu Suzuki, a Glaxo official, allegedly offered money to Mr Hidetoshi Fukada, an assistant doctor at Kagawa University hospital, in order to in order to obtain favourable clinical test results. Lacipil, also known by its generic name lacidipine, is already on sale in 15 countries. Nippon Glaxo needed to get local approval in order to sell the drug in Japan. It conducted various clinical tests in co-operation with Japan's Mochida Pharmaceutical, said Glaxo. Emiko Terazono, Tokyo and Daniel Green, London

### Angola ceasefire due to start



TS & TENDERS

A ceasefire ending Angola's 19-year civil war was due to night. Representatives of the warring parties agreed in Lusaka yesterday on final details of the implementation of the ceasefire, due to come in effect 48 hours after the Angolan government and the Unita rebel movement signed a peace pact in the city on Sunday. African diplomats vesterday expressed relief that yesterday's meeting, which put the final touches to arrangements for disengage ment of the two armies and the monitoring of the exer-cise, had ended successfully.

Some had feared that had Mr Jonas Savimbi, the Unita leader intended to hold up the settlement, yesterday's talks would have run into difficulties. The outcome also allayed concern that hardliners in the MPLA government of President Eduardo dos Santos (pictured above left) might wish to press ahead with an offensive against Unita positions. But leaders of southern African states, led by the Zimbabwe's President Robert Mugabe, had made clear to Mr dos Santos that they regarded the recent intensification of fighting as an breach of the negotiating process. African officials expressed confidence that the ceasefire would come into effect, but warned that there were likely to be breaches as a result of communications difficulties and indiscipline. Michael Holman, Harare

### Capital drive for Kyrgyzstan

The World Bank is to co-sponsor a foreign investors conference in Paris to try to get capital flowing into Kyrgyzstan, whose market reforms, western economists say, have in many ways been a model for the Commonwealth of Independent States. The bank and the Kyrgyz government have invited 343 States. The bank and the Kyrgyz government have invited 343 States. The bank and the Kyrgyz government have invited 343 foreign investors from 27 nations to Paris on December 7-8 The conference is meant to allow the Central Asian republic to take an additional step to reviving its economy. Already, the republic, which has been following an International Monetary Fund-directed programme, has stabilised its currency, the som, and appears about to bring inflation below 1 per cent a month, according to western estimates. In addition, three years after the Soviet collapse, Kyrgyzstan appears set to become after the Soviet collapse, Kyrgyzstan appears set to become the first CIS republic to achieve economic growth. Western economists are predicting that its economy will expand by 1-2 per cent in the second half next year.

While its wealth pales in comparison to neighbouring While its wealth pales in comparison to neighbouring the spotlight on Kyrgyzstan because of its monetary put the spotlight on Kyrgyzstan because of its monetary stability and liberal investment laws. Kyrgyz government offi-

put the spoulding on hyperment laws. Kyrgyz government offistability and about investment can be attracted to their agricultural sector as a start to economic revival. Steve LeVine, Almo

### Elliott case 'not strong'

The prosecution case against Mr John Elliott, the Melbourne-based businessman and former head of the Elders IXL group, in relation to an alleged A\$66.5m (£32m) sham foreign in relation to an alleged A\$66.5m (£32m) sham foreign in relation to an alleged A\$66.5m (£32m) sham foreign in relation to an alleged A\$66.5m (£32m) sham foreign in relation to an alleged A\$66.5m (£32m) sham foreign in relation was described yesterday as "not a exchange transaction, was described yesterday as "not a exchange transaction, was described yesterday as "not a exchange that magistrate, adjourned the hearing ing. Mr Graham Hicks, the magistrate, adjourned the hearing ing. Mr Graham Hicks, the magistrate, adjourned the hearing until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week, when the prosecution is due to make a final until next week. nent figure in Australian pusiness circles in the 1980s and former president of the Liberal party, and other former Elders IXL executives should stand trial over the matter early next month. They are facing charges of theft and conspiracy, wonth. They are facing charges of theft and conspiracy. Yesterday, Mr Hicks said he was outlining his tentative view in the case. He said that there appeared to he an fallow of the case.

on the case. He said that there appeared to be an "abundance on the case. He said that there was a sham foreign of evidence" to indicate that there was a sham foreign exchange deal, but that the key question was what involveexchange usas, but that the key question was what involvement Mr Elliott and Mr Peter Scanlon, another key Elders executive, had in this. Nikki Toti, Sydney

# Armscor finds a place in new South Africa

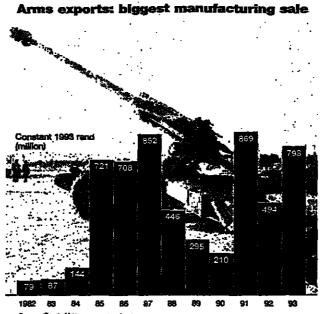
The close relationship has surprised most defence analysts, reports Mark Suzman

President Nelson Mand-ela, one of the world's most respected statesmen, yesterday officially opened South Africa's first international defence show, a display of armour from an industry once aimed at thwarting the political movement be

The show is the first the country has held since the end-ing of the UN arms embargo in May. As air force aircraft and helicopters thundered overhead in honour of their Commander in Chief, Mr Johan Moolman, chairman of stateowned South African arms procurer Armscor, praised the government for its "supportive role" in helping promote the domestic industry's aim of boosting its 0.4 per cent of the global arms market, worth about R800m (£144m), to 1-2 per

Mr Mandela was equally enthusiastic. Armscor, he said, had developed a strategic, home-grown technological base that would use its weapons sales to "serve peace and security" rather than "death and destruction".

The close relationship between the industry and Mr Mandela's African National Congress government has surprised most defence analysts,



mantle or at least cut an industry that seems both incongruous and unnecessary in a post-apartheid South Africa. But Armscor has waged a successful public relations bat-

tle to win over the new admin-

who had predicted the political istration, in part using a movement would seek to disportrays it as a mainstay of South African industrial techeign-exchange earner for the

nology and an important for-South African economy. the successful G-5 and G-6 "A bee has a sting for its artillery pieces, generally protection," reads one typical regarded as among the world's

ad caption, superimposed on a painting of a cuddly bee gath- sophisticated smaller arms and ering pollen from a green and sunny hillside, "South Africa has one too: Armscor". Even the company's new slogan - "Creating wealth, Protecting the Nation" - is adroitly designed to highlight both the industry's financial solvency and its strategic role.

Mr Moolman claimed the industry, South Africa's largest manufacturing exporter, contributed R3hn a year to the economy and employed 70,000

ister, has long been a supporter of domestic arms manufacturers, but the government has until recently remained uncertain about backing them wholeheartedly, Mr Joe Slovo, housing minister, has reportedly urging they be scaled down Now with Mr Mandela's official backing, Mr Modise appears to have won the day. dent is the fact that the industry has some genuinely competitive products to sell. Armscor was only formally created in 1977, just six months before the UN imposed its embargo, but has developed

Responding to the changing political climate, in 1992 it was divided into two companies,

armoured vehicles.

with the rump Armscor becoming primarily a procurement agency and its manufacturing arm spun off as Denel. A Denel subsidiary, Atlas

Aviation, has recently gar-nered much international attack helicopter. In line with South Africa's

new international image as a model global citizen, the new Armscor has published a set of Mr Joe Modise, defence minethical principles under which its arms trade will be conducted. At the same time it has undertaken to make the trade more transparent by drawing up a list of all approved countries to which the South African industry will be permitted

But even with official government support, it is not yet plain sailing

Already implicated in having sold arms to Iraq, Rwanda and the rebel Unita movement in Angola, Armscor is the subject of a judicial commission of inquiry following claims in September that it had sold 15,000 AK-47 rifles to a Lebanese arms dealer allegedly trans-shipping them to Yemen, a proscribed country because of its civil war.

At the same time, officials in the defence and foreign ministries are unwilling to testify to the commission in open court about Armscor's past military relationships for fear disclo-sures about its secret dealings during the apartheid era will alienate many of South Africa's new allies.

More important, because of an indictment served on Armscor and several other South African defence companies in 1991 by a Philadelphia grand jury on charges of illegal pur-chase of American defence technology during the 1980s, Denel is legally barred from doing any business with the US government or any American defence companie

This is a constraint proving costly in the European market where equipment compatibility with American norms is frequently a requirement in new weapons acquisition. But while the industry may not become the guarantor of peace Mr Mandela hopes, optimism is widespread that the exposition will boost the industry's international profile, and ethical controversies notwithstanding, Armscor's financial goals at least may prove achievable.

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# Attack on business tax breaks

US labour secretary queries an estimated \$111bn of subsidies

By Jurek Martin in Washington

Mr Robert Reich, the secretary of labour, yesterday called on the new conservative political majority in Congress to attack tax breaks for business and end "corporate welfare as we

Mr Reich suggested the savings from cutting direct assistance to companies could be used to help the economy create more high-wage American iobs.

in a speech on economic and social policy which he stressed represented his personal per-spective, Mr Reich ascribed Democratic losses in the midterm elections to "the revolt of the anxious middle class". Other factors might have been in play, but "never underestimate the political potency of a declining paycheck."

"Better fiscal management," he said, "cannot reverse the long-term decline of America's middle class," a comment which could be viewed as a criticism of the Clinton administration's emphasis to date on reducing the federal budget

But Mr Reich was more the loyalist in his dissection of the current Republican agenda of deep tax cuts and the evisceration of the social safety nets. Noting that the deficits accumulated under the two previous Republican presidents now ate up 28 cents of every tax dollar, he urged: "Let's not whip up another toxic economic potion - a pinch of Laffer, a dash of Darman, the eye of a Newt - that all of us will pay for in the morning.

Mr Reich argued that the administration's policies had moved in the right direction in the last 22 months but still only constituted "a bare beginning." Instead of incremental-"let's accelerate the agenda of reform; streamline and consolidate the current clutter of adult education and job retraining programmes and pull the plug on those that

don't work.' Warming to one of his familiar themes, but incorporating some Republican adages, Mr Reich said "instead of feeding bureaucracies - federal and state - let's channel resources directly into the pockets of ordinary Americans.'

The Progressive Policy Institute, a moderate Democratic think-tank, had recently identified special tax breaks for particular industries and agriculture currently worth in excess of \$111bn over a five-year

period. He invited conservative institutions to provide "their own examples of business subsidies that don't make sense." "Since we are committed to moving the disadvantaged from welfare to work, why not target corporate welfare as well and use the savings to

help all Americans get better

Meanwhile more details of Republican proposals sharply to reduce individual welfare entitlements continue to leak out. One version, likely to be introduced in the House in January, would end automatic eligibility for welfare, set an annual limit on all federal welfare spending and would replace longstanding food stamps, child-nutrition and

school lunch programmes with

block grants for states to

administer as they wished.

# Helms renews venomous outburst against Clinton

By Jurek Martin in Washington

Senator Jesse Helms of North Carolina, refusing to back down or be muzzled, has again stated, this time in even more incendiary terms, that sident Bill Clinton is unpopular with the US military.

He told a local newspaper in Raleigh that "Mr Clinton better watch

out if he comes down here [to military bases in the state]. He'd better have a bodyguard."

This prompted the Secret Service. which protects the president and which investigates all threats against him, to announce yesterday it had asked for a transcript of the interview. It would not say if it was planned to grill the senator.

Last weekend, the likely next chairman of the Senate foreign relations committee created something of a stir by asserting that the president was unfit to be commander-in-chief. He said Mr Clinton was unpopular among servicemen because he had avoided the draft in Vietnam, ended military discrimination against homosexuals and had cut defence spending.

The senator's latest outbursts have been condemned by the White House and the military high command and even been dismissed by the Republican hierarchy in Washington as unnecessarily offensive.

But Mr Helms is about to acquire more clout, through his committee chairmanship, than he has previously enjoyed. One indication of that was provided in the last 24 hours in talks between Mr Chinton and Mr Yitzhak Rabin, the Israeli prime minister. Mr Helms had described the Israeli-Syrian peace process as "a fraud" and

threatened to block the stationing of any US monitoring troops on the Golan Heights. This prompted Mr Clinton, in Mr Rabin's presence, to issue a direct rebuttal



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# **Menem wins** backing for N force

By David Pilling in Buenos Aires

Argentina's proposal to establish a United Nations force to be deployed during natural disasters will be debated in the General Assembly today and should be "unanimously approved," according to Mr James Cheek, US ambassador in Buenos Aires.

Mr Cheek, speaking after talks between Mr William Perry, US defence secretary, and Mr Oscar Camilión, his Argentine counterpart, said the resolution, strongly supported by the US, already enjoyed the backing of 50 national co-suousors

Argentina's proposal would direct the General Assembly to study the establishment of a force, to be recognised by its "white helmets," and dedicated to alleviating the effects of natural disasters such as famine and floods and to come forward with concrete proposals in the next few months.

Mr Perry, on a visit to Brazil and Argentina, said he had discussed the resolution with President Carlos Menem, including a proposal to establish a centre in Argentina to train the force.

Acceptance of the initiative would be a public-relations coup for Mr Menem whose administration has done much to reestablish its international credentials and has affed itself more closely with US foreign policy than almost any other Latin American state.

Argentina is virtually alone, for example, in supporting the US embergo against Cuba. It also backed the invasion of Haiti and said Mr Camillón was willing to send a battalion of 300 peacekeepers to the island in the next few months. Mr Perry praised Argentina for its new approach, which contrasts strongly with its history of non-alignment, especially for its deployment of troops in UN peacekeeping missions in such regions as Cyprus, Mozambique and Croa-

Argentina's immediate reward will be the signing next month of a contract with Lockheed to run the state-owned Aerea Material Córdoba aircraft factory where 18 of the 36 A-4M Skyhawks purchased by Argentina from the US earlier this year will be upgraded.

Argentina is expected to pay \$250m-\$400m for the aircraft, including the cost of renova-tion. Mr Camilion said he hoped that the input of US expertise could transform the Cordoba plant into a regional repair centre for civil and military aircraft.

# Samper renews drive for peace in Colombia

President tries to end guerrilla war, reports Sarita Kendall

President Ernesto Samper of Colombia marked his first 100 days in office last week with a push to get the country's guerrilla groups to the negotiating table and by announcing a set of conservative economic targets that placated some of his critics.

The administration has dropped the insistence of previous governments that a ceasefire must be in place before starting negotiations with the guerrilla groups. Instead, it is demanding what it calls a more if necessary. The infla-"humanisation" of the war in order to protect civilians and

wounded combatants Since 1989, most of the M-19 and the Popular Liberation Army movements have exchanged their weapons for electoral politics, but the two biggest guerrilla armies have been growing in numbers and military strength. The former Soviet-line Revolutionary Armed Forces of Colombia (FARC) and the once Castroite National Liberation Army (ELN) between them control extensive rural territory in the northeast, northwest, centre and south of Colombia. The FARC alone has over 50 fronts and guerrilla combatants may

total 10,000 or more. According to police figures, there were more than 1,200 ter-rorist incidents and over 1,000 kidnaps in the first 10 months of this year, most attributed to guerrilla groups, which use extortion, robbery and drug trafficking to finance their activities. Guerrilla actions during the last decade have led to the spilling of 1.2m barrels of oil as a result of pipeline bombings, the loss of considerable foreign investment and the displacement of 150,000 people from violence-ridden

By opening the door for peace negotiations and imposing neither deadlines nor obstacles, the government has made it difficult for the guerrillas to refuse to talk. Political, business and church leaders have all given qualified approval to Mr Samper's pro-posals, and guerrillas have also commented in positive terms.

Given their increasing regional power - evidenced in last month's local government elections - and their economic strength, it is not obvious why the main guerrilla movements should want peace.

Mr Samper also promised an ambitious human rights programme with watchdog offices in military installations, as well as the dismantling of paramilitary groups, often linked with police or army. During his first 100 days, Mr Samper announced a series of

employment and social programmes, which he tied together last week in a fouryear national development plan he called the "social leap forward." In the plan, the government blames the persistence of "alarming poverty levels" and the growing income

gap between rural and urban areas on continuing violence. It aims to raise income per capita by 3.5 per cent a year. Central bank and other econ-

omists, dismayed by the administration's somewhat incoherent initial proposals to reduce inflation, speed up devaluation and substantially increase public spending all at the same time, have welcomed Mr Samper's commitment to generating a budget surplus of at least 0.7 per cent of GDP, or tion target for 1995 is 18 per 22-23 per cent rate.

"This is down to earth, they're recognising that they need to cut back on planned spending and they're also going to improve tax collection. It's a big step in the right direction for macroeconomic stability," said Mr Salomon Kalmanovitz, a director of Colombia's central bank. "And yes, we will be able to keep devaluing the peso if the government maintains a budget surplus." This year so far there has been a slight revaluation in real terms.

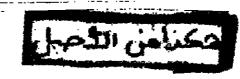
### Bombings of oil pipelines have slowed foreign investment

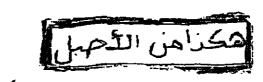
Colombia has been suffering a surfeit of dollar inflows, and, has foreign reserves to cover about nine months' of imports. The development plan includes large investments in transport. oil and other infrastructure with a strong import component, which will help use up foreign exchange.

The emphasis, however, is on social welfare, notably direct subsidies for the most needy sectors of the population. This is not only inflationary, say economic critics but the money would be better spent on remedying the structural problems underlying poverty, rather than on handouts.

On drug trafficking, there have been minimal successes and discouraging trends: the area planted with coca, marijuana and opium poppies has doubled to over 50,000 hectares and Colombia's cocaine production is up to about 1,000 tonnes a year.

Several major Medellin traffickers who surrendered under the last government are due to go free next year, while Cali cocaine chiefs want even more generous terms if they are to hand themselves in Although President Samper has promised to keep fighting drugs, most Colombians clearly place far greater importance to ending violence and to solving economic problems than confronting drug barons.







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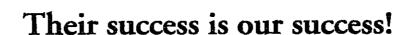
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Prime minister condemns 'unjustifiable' salary increase as pressure grows in row over executive pay

Battle of Trafalgar.

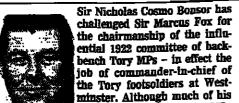
# Tensions on EU spark challenge to top Tory

By Kevin Brown, David Owen and James Blitz

Mr John Major, the British prime minister, yesterday con-demned "unjustifiable" salary increases for executives of privatised companies as Mr Cedric Brown, chief executive of British Gas, said he was considering whether to forego part of a 75 per cent pay rise.

The government's difficulties worsened as Tory tensions over Europe emerged into the open with an unexpected backbench challenge to Sir Marcus Fox, a key supporter of the prime minister, for the leadership of the powerful 1922 com-

nittee of backbench MPs. The challenge, from the little known chairman of the cross-



minster. Although much of his support may come from MPs dissatisfied with Mr Major's leadership, Sir Nicholas is far from an obvious standard-bearer for backbench dissidents. A former captain of

party Commons defence com- should be curbed by shareholdmittee, was widely seen by MPs as an attempt to punish Sir Marcus for his unswerving

support for the prime minister. In robust Commons exchanges, Mr Major said that

ers, but ruled out government interference, either directly or through the statutory regulators supervising privatised

excessive executive pay rises demned as grotesque by Mr draw tax privileges for execu-

daughter of the second Lord Killearn and is a descendant of Horatio Nelson, the victor at the

He is also a former member of the council of the Lloyd's of London insurance market. This year's register of MPs' interests lists more than 70 syndicates of which he is a member.

As chairman of the House of Commons defence committee, he has waged a vocal campaign against cuts in the armed forces. He is sufficiently Eurosceptic to have contributed to the government's first defeat on the bill impleboats at Eton, Sir Nicholas, 51, is married to the menting the Maastricht treaty.

> Tony Blair, the Labour leader. Mr Paddy Ashdown, leader of the Liberal Democrats, said it was "a metaphorical V-sign" to gas consumers.

Mr Blair wrote to Mr Major Mr Brown's pay rise was con- urging the government to with-

ulators power to limit price ple with very long memories increases in industries subject to excessive pay rises.

Mr Brown said he understood the widespread reaction to the company's announcement that his salary is to rise from £270,000 a year to £475,000. "I will consider my options and discuss it with my colleagues and executive directors in the light of all that has

been said," he told Sky News. Tory backbenchers said the battle for the leadership of the 1922 committee could become a proxy contest between Sir Marcus and right-wing backbench-

Major's leadership. One backbencher blamed Euro-sceptics for the challenge,

saying "I think it's those peoand very long agendas who effectively want us to pull out of Europe despite the consequences to the government and the country."

The feeling among Tory MPs was one of a widespread desire to rebuke Sir Marcus for his clear warning on behalf of the prime minister that the defeat of legislation providing for higher UK payments to the European Union would prompt a general election. In a further indication of the strength of feeling, around 25 members of the Eurosceptic Fresh Start group last night discussed the possibility of mass abstention on the bill, threatening the government's majority of 14.

its Hercules fleet to BAe and leases it

UK NEWS DIGEST

# Oil exploration spreads across 'new horizons'

The government yesterday put development of oil and gas fields in the deep Atlantic waters west of the Shetland islands on the "fast track". More than 60 of the 164 blocks being offered for oil and gas exploration under the 16th offshore licensing round are in this region to the north of Scotland. Mr Charles Wardle, junior energy minister, said he hoped the fast track" process would see further development west of Shetland starting as early as next summer.

He also called for nominations from oil companies for the 17th licensing round which would "stretch out to new horizons to the west of the UK". Preliminary drilling results suggest that the west of Shetland region has the potential to produce up to a third of Britain's present North Sea output of 25m barrels a day. Earlier this month the government gave approval for Foinaven, the first oilfield in the region. British Petroleum and Shell will spend £550m on developing the field. The field is in 450 metres of water and in a region, known as

the Atlantic Frontier, where weather can be harsher than in the North Sea and sub-surface currents more complex. Analysts suggested yesterday that the key to opening up the region would be an infrastructure shared by companies operating there. "It is an expensive area in which to operate and sharing would cut costs," one explained. "Obviously the goverriment is keen to encourage more exploration so that we can know in some detail what the real potential is west of Shet-

### Coal bidder looks to price cut

RJB Mining, the coal company chosen by the government as preferred bidder for British Coal's English regions, is seeking to shave at least £35m off its £914m bid after finding that coal stocks have fallen short of its expectations. It is telling institutional investors that there are 1.3m tonnes of coal less in British Coal's English stockpiles than when it made its bid, and this should enable it to negotiate a £35m reduction in the

final purchase price.

The coal stock change provides a fillip for the company's efforts to raise up to £1.05bn through borrowing and selling shares. RJB was given further cheer when Mr John Jermine. executive chairman of NSM, another coal company which bid

for British Coal assets, expressed support for the hid.

Other failed bidders have attacked RJB's assumptions on

future markets as unrealistic but Mr Jermine, whose company bid unsuccessfully for the south Wales region, said he thought RJB's plans could work out. "I hope they do," he said.

### Confusion over lottery winners

A 25-year-old London chauffeur has been charged with trying to obtain one of the seven jackpot prizes in the National Lottery by deception. The first lottery draw was held on Saturday and yielded prizes ranging from £10 to the seven jackpot prizes of £839,254 (\$1.3m). Mr James Madel is accused of trying to obtain money at the London office of Camelot, the consortium that organises the lottery.

Unemployed British teenager wins big in lottery LONDON, Nov 21 (Reuter) - An unemployed teenager joined a retired engineer and a former miner on Monday as three of the seven winners sharing E5.8m (\$9.1m) jackpot in Britain's first nations lottery. Mark wright, 18, from Liverpool in northern England, said he almost three away his. winning ticket

Meanwhile, Mr Mark Wright, aged 18, was named as a jackpot winner by newspapers, radio stations and interna tional news agencies after announcing detailed plans for spending the prize and after trying to sell his life story to a newspaper. He later admitted being a hoazer. One of the seven genuine jackpot winners has so far failed to claim the prize. Three have told Camelot they want no publicity while another told reporters he intended to spend the money on a new Skoda car and a visit to his brother in New Zealand.

### Church urges aid for homeless



Dr George Carey, archbishop of Canterbury, called on the government to use next week's national Budget setting out fiscal legislation for 1995-96 to combat the "great evil" of homelessness. Dr Carey, head of the Protestant Church of England, said there was a need for more low-cost rented housing "to meet the desperate needs of the most vulnerable in our society". He added: "I hope this priority will be reflected in the forthcoming Budget and in wider housing

# Building society seeks reform

Nationwide Building Society, one of the UK's largest savings-and-loans bodies, called yesterday for a single qualifying period before society members become eligible for the rights and benefits of membership. Giving evidence to a House of Commons Treasury committee inquiry into financial regula-tion, Mr Brian Davis, Nationwide chief executive, said there was a case for a single statutory test of membership – having been an investor or a borrower for a set period of time such as

two years - which would apply for voting and ownership.
While such a change would reduce the number of members eligible to vote at a time when there is increased emphasis on societies' accountability, it would remove anomalies from the current arrangements. For example, in the case of the Lloyds Bank bid for Chettenham & Gloucester Building Society, only C&G investing members of more than two years' standing can receive a cash share of the price, though a larger number of members - including borrowers - can vote on whether to

accept the offer. Nationwide's written submission to the committee called for Nationwide's written submission to the committee catten for a single regulatory framework for financial services with just one watchdog covering areas now handled by a range of bodies including the Building Societies Commission and the Securities and investments Board, the chief City regulator. MPs on the committee were clearly concerned that the public image of societies as traditional and safe lagged behind the way societies saw themselves as in direct competition with other financial services organisations.

### Profits at Wimbledon up 70%

An increase in revenue from international television contracts helped the world-famous Wimbledon termis tournament show a record profit this year of £28m (\$43.6m), a 70 per cent increase on the previous year. Organisers would not provide a detailed breakdown of profit sources, but said many more countries than last year's total of 104 had paid to televise the

Increased international sales of official Wimbledon merchandise also contributed to the tournament's profits, a spokesman said. Profit from last year's championships totalled £16.4m and went to the Lawn Tennis Association - the body that administers tennis in the UK. The LTA uses the money it raises from the tournament to develop the sport.

# Correction: truancy in schools

A table showing the 20 schools with the highest truancy rates in England published in the Financial Times yesterday was incorrect. Instead of truancy rates, it showed the schools with the highest rates of authorised absence, where children missing lessons had been given leave to do so. In all cases, the schools' rates of unauthorised absence were much lower. The mistake was due to an error by the FT, and was not caused by the information provided by the Department for Education.

#### back to further improve the depart-However, the FLA will not become the Department of Trade and Industry ment's finances. craft as an alternative to refurbishavailable until 2002. while the RAF and the Scottish Office. The company is also undertaking to BAe has offered to maintain a fleet argues that its Hercules fleet will complete at no cost to the RAF any need replacement from 1996.

An offer by British Aerospace to maintain the Royal Air Force's existing fleet of 60 Hercules transport aircraft at a fixed price, with a set number of aircraft available at any one time, is to be discussed by a cabinet committee tomorrow, our Defence Correspondent writes.

The proposal, sent to Mr Roger Freeman, the UK defence procure-ment minister, will be discussed along

with recommendations by a Ministry of Defence procurement committee to buy a number of Lockheed C-130J air-

of 50 Hercules aircraft, 70 per cent of which would be available at any time. at a fixed cost 20 per cent lower than the RAF's current maintainance costs. BAe has made the offer because

it wants the UK government to buy the European Future Large Aircraft,

Aerospace group steps up supply fight with Lockheed

The Treasury is thought to be interested in BAe's proposals, which would not require the defence ministry to buy new aircraft or refurbish the

existing Hercules fleet. Both departments will be represented at the committee meeting on Thursday, as will

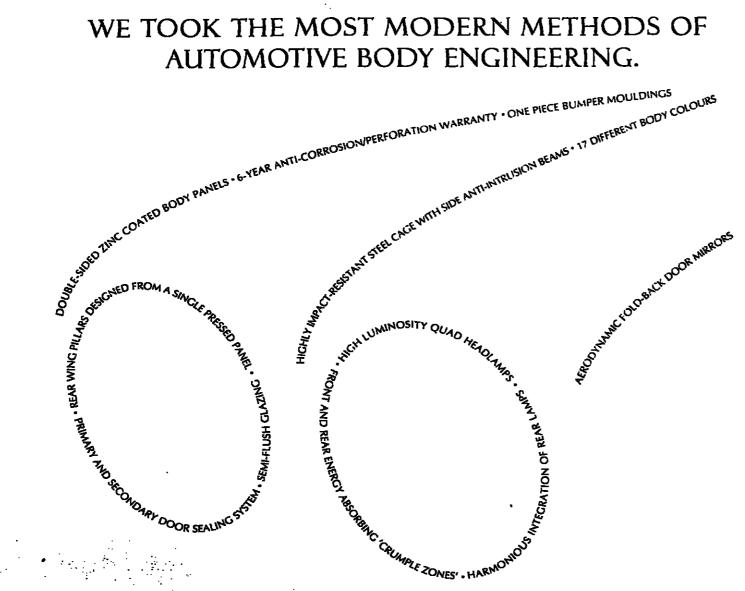
refurbishment work which is needed. BAe puts the cost of maintaining the Hercules fleet at £52m (\$85.3m) a year.

The defence ministry confirmed

that it had received an approach from BAe, but would not say how quickly a decision would be made. The ministry has said it intends to decide about the future of the Hercules fleet before

In a separate note BAe has also

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### INTRODUCING THE **NEW JAGUAR XJ SERIES.**

Detailed analysis of drag coefficients are not usually the sort of thing to set the heart pounding. Unless of course you translate them into the sleek curves of the new Jaguar XJ Series.

The front is more aggressive and sportier, with redesigned quad headlamps accentuating the softer, more sculptured lines of the bonnet.

And in keeping with the car's dynamic new shape, we have raised the haunches to flow smoothly towards a redesigned boot.

Still not satisfied, we re-crafted the bumpers into a one piece body-coloured construction

and added protective lower bodyside mouldings.

Even the exterior door handles have been restyled, along with new alloy wheels.

Pay a visit to your nearest showroom and cast your eye across every inch of the XJ Series.

We guarantee your pulse will be racing. before you've even put your key in the ignition.

For more information on how you can

experience the beauty and excitement of the new Jaguar, or to arrange a test drive, contact your local dealer. IAGUAR DON'T DREAM IT. DRIVE IT.

Shirayama

abandons

hotel plan

The torinous history of County

Hall, the prominent building that faces Big Ben by the Thames in London, took

another twist yesterday as

plans to turn part of the site into a hotel were scrapped. County Hall was headquarters of the Greater London Council.

the largest municipal authority in Europe, until the Thatcher government abol-

Shirayama, the Japanese

developer which paid £60m

(\$98.4m) for County Hall last

year, now plans to build 380,000 sq ft of offices and

Mr Mac Toyota, Shirayama's

representative in London, said: "We had a better idea. We are

not saying that the hotel busi-

ness is not profitable." Luxury

hotels in London have recov-

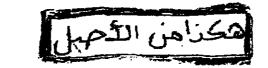
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London

By Simon London

ished it in 1986.

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**NEWS: UK** 

# Telecoms operators challenged over 'superhighway'

By Alan Cane and Raymond Snoddy

The UK government has challenged British Telecommunications and the growing number of public telecommunications operators to play a full part in the development of the country's information superhighway. In a paper published yesterday,

entitled Creating the Superhighways of the Future: Developing Broadband Communications in the UK, the government urged the operators to gain experience in interactive technolo-

gies by applying for local franchises to allow the cable television industry which would enable them to deliver to establish itself in the UK. Cable a full range of services including broadcast entertainment to homes

within the franchise area.

The paper confirmed, however, that the government has no intention of permitting BT to broadcast entertainment to homes nationally before 2001 at the earliest.

The issue is a point of intense contention for BT which has been ban ned from offering broadcast entertainment services over lts network

television companies are, however, not debarred from offering telecommunications services.

Mr Richard Woollam, director of trade body the Cable Communications Association, said yesterday: "All the Government is saying to BT is 'Come and join the cable party.' The Independent Television Commission, regulatory body for commercial television, has advertised a

licences - as cable franchises are called - the latest in the past few days. They are for four separate franchises in the Euglish Midlands covering 248,000 homes.

The commission emphasised yes-terday that BT had always been able to apply for cable television franchises like any other company and since April BT has been able to do it in its own name rather than through

a subsidiary.
BT said yesterday the government

broadband communication we were hoping to provide has been post-

poned for several years".

It is clear that BT does not intend to apply for large cable franchises, such as that currently on offer which covers all of Northern Ireland. Instead it wants the freedom to spend £15bn to create its own modern network to compete against the

cable companies. The government's paper is in part a response to the report of a parlia-

present restrictions. Mr Ian Taylor, trade and technology minister, said he had appointed

a group of senior industrialists to advise him, including Mr Don Cruikshank, director-general of Oftel, the industry watchdog, and Mr Peter Job, chief executive of Reuters. Oftel said it was pleased there was no intention to change the existing supervisory regime.

Demand for TeleWest. Page 23

# MPs demand reform of animal quarantine laws

By Alison Maitland

The House of Commons agriculture committee will today recommend a wholesale change in the British government's policy on quarantine for pets, saying it should be replaced immediately with a cheaper system of vaccinations and blood-testing.

The proposed change, under which pets would require health "passports", would apply to dogs and cats entering Britain from European Union member states and countries that are free of rabies. The present system, under which pets must be left in approved premises at the owner's expense for six months, would continue for pets arriving from other destinations.

The committee says scientific advances show that the alternative system would offer protection at least equivalent

to quarantine. "The introduction of a suitable system of controls through vaccination is emphatically not a relaxation of Britain's defences against rabies," it says.

"We consider that a system such as we propose would effectively decrease the likelihood (of rabies entering the UK], not least because the costs of the new procedure, a small fraction of the expense of quarantine, would no longer provide an incentive for many to smuggle their animals into this country."

But the British Veterinary Association yesterday opposed the immediate ending of quarantine, saying the EU should first be free of rabies.

MPs point out that the inci-dence of animal rabies in the EU has fallen sharply from 8,506 cases in 1989 to 1,207 last

eradicated within two or three years. They argue that the European virus, transmitted by foxes, poses far less of a threat to humans than the virus in the developing world, where rabies is commonly carried by

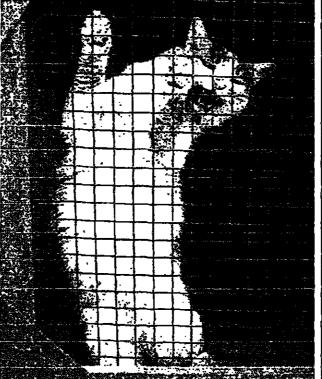
Under their proposed changes, modelled on measures adopted by Sweden in May. dogs and cats due to be imported into the UK from approved countries would be identified by a unique number carried in an implanted microchip or tattoo.

The animals would have to be vaccinated at the age of three months or above. undergo a blood-test four months later to establish they are immune, and spend at least six months in the approved country before entering

ted to be announced tomorrow by Mr

Brian Mawhinney, transport secretary.

According to one City estimate, pri-



Observer, Page 21 A cat held in quarantine near London under anti-rables laws

tion issues. The flotation is a crucial part of government plans to privatise the entire national rail network. Mr

John Major, the prime minister, that

# Import data win new lease of life

Data showing the level of this, such as the chemicals secimport penetration in different sectors of the UK economy are to be published today for the first time for more than seven years, Gillian Tett writes.

Publication of the figures comes as the UK Central Statistical Office embarks on radical changes in the way eco-nomic statistics are presented

The CSO and Taylor Nelson AG, the market research group, will launch the new business series in London today. The data will include a range of new import, export and manufacturing figures in almost 5,000 categories ranging from steel to sawdust and truf-

Although information on most industrial sectors will be published on an annual basis, figures will be provided on a quarterly basis for industries which have been requesting

track "within the life of this parlia-

ment". Mr Michael Meacher, Labour

tor and pump-making industry. The Department of Trade and Industry used to publish data showing approximate lev-els of import penetration. This was stopped in 1987. Many observers suspect this decision reflected official unease with the growth in the trade deficit. Government officials insist in public, however, that the

The new publication was yesterday welcomed by indus-

decision was made to save

resources and cut down on red

try groups.
The EU directive known as Prodcom requires all member states to collect data on a harmonised basis, which can be easily compared to official trade statistics. Although Britain expressed reluctance over the directive, it has become the first EU country to

are enjoying occupancies well above 90 per cent. Plans for the rest of the 1.5m sq ft site - including conference facilities and Europe's largest aquarium - remain

The hotel was expected to cost £25m out of a total construction budget of over £100m. Shirayama has spent £10m on the site so far although work on the planned hotel had not started.

Mr Richard Branson's Virgin Group, which had agreed to run the 600-bedroom hotel and help operate the leisure centre, reacted angrily to Shirayama's announcement

Virgin, which hopes to meet Shirayama officials today, said: "We came into the deal on the basis that together we were going to create one of the best hotels in London and the country's most exciting leisure complex. We still believe in that project and are very keen to go ahead. We have a legally binding contract which we

expect them to honour." Cambridge Seven Associates. the US architects, have been appointed to design the new

# State-owned company pursues more commercial freedom

Scottish Nuclear, state-owned company which generates nearly half of Scotland's electricity, said yesterday it would be seek greater commercial freedom regardless of whether ministers accepted its request for privatisation, Michael Smith writes.

Mr Robin Jeffrey, chief executive, was optimistic about company would press for

The government plans to privatise Railtrack, owner of Britain's railway track, signalling and stations, with a stockmarket flotation early in 1996 according to leaked ministerial memos obtained by Labour. The plan is expec-

government that they can

unshackle us and give us the

between £3.3bn (\$5.4bn) and £4.3bn, freedom - for example to diversify." The company also diversify into non-nuclear said it would have to write off BNFL, the state-owned disclose the company's industries. "I hope our plans about £20m of development reprocessing company. profitability. Mr Jeffrey said for the future will convince the

making it one of the biggest privatisa- be should announce flotation of Railcosts if it was refused permission to open "dry store"

facilities which it wants as an

Mr Jeffrey issued the

vatisation of Railtrack would raise Mawhinney suggests in a letter to Mr

of the company's improved 7.7 terawatt (million million performance in the first half of watt) hours. Provided the freedom to develop and alternative to sending spent

fuel, at greater expense, to the year. While declining to output had risen by 16 per cent warning as he revealed details in the first half of last year to

money for the tax-cut bribes in time for the next general election." government's permission to open dry stores at its two power stations, it was on course to meet its target of cutting costs from 3.20 per

kilowatt hour three years ago

transport spokesman, said: "Rail-Mr Jeffrey said this could be track's privatisation will produce the achieved by increasing output from about 16.8 terawatt hours this year to 19TWh by 1998 through improving efficiency and by reducing the regularity

new target of 2p to be achieved

have to be closed, from every two years to every three. The company said staff numbers were below 1,900

of inspections, in which plants

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- to the Emperor Charles V, the first sovereign who could justly daim that the sun never set on his empire. The sun also never sets on Swiss Bank Corporation. We're the most international Swiss bank, with numerous branches and subsidiaries in major cities all over the world. Our key people on site have detailed knowledge about interesting new opportunities in their specific markets. Combined with our networking power, this gives us the know-how to achieve optimum diversification of your investments. Whatever your individual performance orientation short-term gain or long-term growth our investment proposals are tailored to fit your personal needs. And they're backed, of course, by an excellent and very personal service.

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launched by Du Pont, the US chemical giant, at its new \$1bn (£600m) site near Avilès in the province of Asturias, on Spain's northern Cantabrian

Walker, a veteran of 10 Du Pont plants in four countries. is the site manager. Pontijo, who campaigned against Du Pont's arrival in Asturias, is a director of a local environmentalist group called the Coordinadora Ecologista de Asturias.

Asturias, which combines magnificent mountain areas with ecological disaster zones created by coal mining and neavy industry, is understandably sensitive about protecting

The debate centres on Walker's attempt to demonstrate that the chemical industry is compatible with conservation and, in particular, on a 50,000sq m lake and surrounding wetland, called La Futra. that had silted up and which Du Pont has reclaimed in the lush valley of its Asturian

La Futra lies at one end of the valley and at the other. eened from the wetland by buffer hillocks that have been raised by Du Pont, lies a plant which last year began producing Nomex, a heat-resistant,

The contrast between the

Tom Burns on a plant in Spain trying to show that chemicals and conservation are compatible

# Du Pont's ecological agenda

timeless tranquillity of the nature reserve and the futuristic energy of the site's industrial zone is striking.

The Nomex plant will be working at full capacity in three years, and a second industrial unit is being built close by and is expected to come on line in 1996. It will make tetrahydrofuran (THF), a compound that forms the basis for "Terathene" polyether gycol which is used in the garments industry.

The Asturias Nomex unit is based on Du Pont's production where the heat-resistant fibre was first produced in 1965. However, the company says it has improved the process at the Asturias unit incorporating 20 per cent of new technology. One feature of the new tech-

nology is the adoption of a bio-(called a sequential batch reacfor) that the company says provides more efficient separation and treatment and reduces the

Walker says some of the improvements in Asturias are being implemented in the Richmond plant and others are being considered. State-of-the-

art scrubbers and analysers installed at the Asturias unit have reduced the emissions of dimethylacetamide, a solvent used in the Nomex process, and the use of chloroform and carbon tetrachloride, two car-

The future THF unit, alongside the Nomex plant at the Asturias greenfield site, will be the first of Du Pont's nine systems that the company claims will deliver close to 'zero" emissions The design of the THF unit,

energy saving system which provides "the most environmentally-friendly technology

Asturias to advise on the wetland reclamation, and an ornithologist, Enrique Pasqual, as

achieved so far differ. Du Pont distributes an inventory of birds observed by Pasqual at

Walker insists the area now boasts more biological diverdemand for Nomex and THF, the products which are leading sity than it did when Du Pont Du Pont's progress in the world of synthetic fibres. started setting up the site three years ago. Nomex is used in the manu-

below legislative requirements and that "water leaving the

Along with the wetland hird sanctuary, Walker's environmental programme has involved restoring rustic buildings along the valley, populating its meadows with endangered local strains of farm animals, cows, sheep and a breed of ponies called Asturcones. It has also replaced invasive eucalyptus forests that were ruining the soil on trees and shrubs. Schoolchildren have built bird boxes with their names on them as part of the project. The Du Pont industrial complex at Asturias' Valle de Tamòn is an intriguing mix. With an area of 324ha, half of which is zoned for industrial use (only 20 per cent of which is occupied), there is room to spare for the chemical pro-ducer to erect altars to both fibre engineering and to hardsell conservation.

Walker says that some cent of the promised have ment has been speat, although only 350 jobs have so far been created. "We are going to have to spend more in order to meet our employment undertaking

At another level the inch trial complex in the illustrates how far the chemical producer is prepare to go to present itself as a con servationist and an ecologically-friendly institution

Walker says the site's environmental promotion is a unique venture of its kind for the company and that it will provide valuable lessons for whatever Du Pont does in the

"Despite all the contrib tions of the chemical moustry have watched the industry's image deteriorate in inverse proportion to its technical progress and material contribution to modern life," Rd Woolard, chairman and chief executive of Du Pont, said recently.

Environmentalists respond that if Du Pont is now taking lessons on board, it is becaus they were around to teach the

# Alternative waste treatment

Brazil is enthusiastic about plasma-based disposal, writes Patrick McCurry

pilot project to dispose of hazardous waste is planning to start at a hospital in the

facture of flame protective gar-

ments, such as those worn by

Grand Prix racing car drivers.

and of electrical insulators and

filters for hot industrial gases;

Terathene, produced by THF,

is the principal ingredient that

provides elasticity to the fibres

added to the complex under

the terms of Du Pont's 1990

commitment with the Spanish

government to invest \$1hn in

create 1,000 jobs. In return, the

Spanish authorities gave the greenfield site free to the US

group, and provided subsidies for training, low-cost loans and

Two more units are due to be

used in Lycra clothes.

densely-populated city of São Paolo, Brazil, using technology developed by Nasa scientists.

gases – at the University of São Paulo hospital to provide cheaper and safer disposal to traditional incinerators or Hospitals in São Paulo,

South America's largest city with a population of 15m, produce 115 tonnes of waste a lay which contains blood, syringes and body parts.

Because of the risk of disease this waste must be incinerated. an expensive process as its humidity content is 40-60 per cent. There are additional health risks from normal gas or oil-fired incineration, in particular the release of carcinogenic dioxins and toxic

Roberto Szente, head of Paulo state-funded Technology Research Institute (IPT), says: "Because gas is a relatively poor conductor the plasma can heat up to 10,000°C.

The technology was developed by Nasa, the US space agency, to simulate the heating experienced by rockets re-entering the atmosphere. Plasma forms at extremely high temperatures, when atoms of gas split into a mixture of positive ions and electrons. It can be made by transferring energy from an electric arc to a gas such as air

It is only with the growth in environmental awareness that the IPT, along with other research centres around the world, started applying it to hazardous waste.

or nitrogen.

"With plasma, the temperature is so high that everything, including metals, melts and becomes a liquid

pool," says Szente. This pool solidifies as a slab of residues, basically a block of glass and iron, that can be used in construction or disposed of in landfill. Because which later solidifies, there is less risk of dioxins being dispersed than with

Erasmo Tolosa, hospital superintendent, says the city council contracts out collection and treatment of waste. "We don't have a great deal of confidence in the current system and we know that in some parts of Brazil the waste is just dumped," he says, referring to news reports of human limbs being found on rubbish dumps in the poor

north-east of Brazil. The IPT is applying plasma technology to another pilot project to deal with the galvanised waste produced by companies in the metal-coating industry, a spin-off from São Paulo's booming car industry.

the liquid residues from galvanisation straight into the Tiete River, one of the most polluted in the world. But with the introduction of pollution controls to clean the river, the companies are left with a mud - the by-product of

galvanisation – containing heavy metals such as iron, silica, calcium and zinc, as well

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as cyanide IPT tests showed that when plasma was applied to the mud it destroyed the cyanide and the end result was non-toxic slabs of metal, 96 per cent iron, says Szente.

Marco Antonio Barbieri. director of a chrome company and spokesman for around 100 small galvanisation companies involved in the project, says plasma treatment is likely to cost \$40-\$70 a tonne compared with about \$200 for landfill, \$400-\$800 for cement kilns and \$1,500 for using private incinerators.

Despite all its apparent advantages, plasma's progress so far in waste disposal has been piecemeal. Szente says this is partly because it is still a relatively unknown technology, and also because companies are unwilling to decommission expensive incinerators to spend more money building plasma units.

# Cities take the strain

business-funded interna-tional congress on the Impact of cities on the environment held in Hong Kong earlier this month has highlighted the contribution that the private sector can make in finding solutions to environmental problems, writes Peter Knight.

More than half the world's people are expected to live in towns and cities by the turn of the century. The population of Mexico

City, for example, is already 15m and growing, creating significant water and air pollntion problems,

The congress brought together 47 speakers from different parts of the world, including a senior managing director of Mitsubishi Electric. the chief executive of the UK's nuclear power stations and a Manila nun campaigning for squatters' rights. The Prince of Wales gave the opening

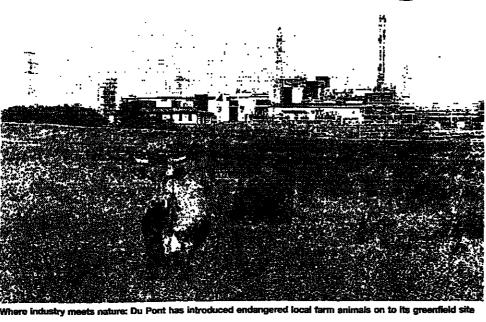
Funding for the week-long event came from 20 companies, including the John Swire group and World-Wide Shipping of Hong Kong, Mitsubishi Riectric and Marubeni Corporation of Japan, and Anglian Water, Friends Provident Life Office and Nuclear Electric of the UK.

"Business has a role to play, and indeed a duty, in helping to find solutions. Conferences such as these help to focus the mind on what needs to be done and how best to achieve it," says Bob Hawley, chief executive of Nuclear Elec-

congress, included a large contingent from China, discussed a range of issues on the environmental and human problems created

The closing statement acknowledged the source of sponsorship but called on the private sector to be more active in seeking solutions. A first step would be to accept a greater civic responsib-

"As a strictly private sector initiative we could adopt a more holistic approach, which gave equal consideration to the human, scientific, technological and legislative aspects of environmental protection," says congress organiser John



THF-producing centres to says Walker, is based on a new

in the marketplace

The company has also hired

a resident ecological adviser.

La Futra. Pontijo describes the list as nothing extraordinary.

the body NO BORN, GRANDI AS IN-ANT OPE AS MOTHER'S comfortable, T-LOWERBUOK the mind travels at

50% more legroom and recline. Your own multi-channel video and a better choice of meals. All together it means more comfort, control and choice.



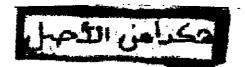


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A new political landscape emerges: See Page II

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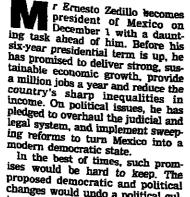
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### FINANCIAL TIMES SURVEY

# MEXICO

Wednesday November 23 1994

The economy shows remarkable resilience: See Page III



changes would undo a political culture of quasi-authoritarian rule that is still the norm in much of the country, and has kept the governing Institutional Revolutionary Party - the PRI - in power for 65 consecutive years. Even if Mr Zedillo is sincere in his call for democratic change, he is bound to meet resistance.

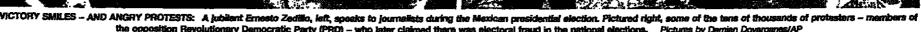
In view of the still formidable obstacles to greater industrial com-petitiveness, the fulfilment of Mr Zedillo's stated economic goals is unlikely to be much easier. Mexico's poor educational system, inadequate infrastructure, lack of an entrepreneurial culture and low savings rate set it apart from many of the Asian tigers that have grown so rapidly over the past 20 years.

To make matters tougher, Mr Zedillo assumes power in a highly volatile economic and political climate. The peasant rebellion in Chiapas over the New Year, the recent assassinations of leading political figures and the increasing assertiveness of drug cartels, have worried investors.

Many wonder whether the old corporatist structure that kept Mexico stable for 65 years is breaking down. In recent months, the exchange rate has come under pressure, interest rates have been forced up to around 7 per cent in real terms, and many sectors of the economy have suffered from a credit crunch.

Despite such worries, there are grounds for guarded optimism. Mr Zedillo's policy proposals appear to address the right issues. He and the Ivy-league trained technocrats that surround him seem convinced that the difficulties Mexico now faces are proof that economic and political reform of the past decade needs to be speeded up, not slowed down, and that the modernisation of the state must continue. .





# Zedillo faces formidable obstacles

An economist with limited political experience, Mr Ernesto Zedillo, Mexico's president-elect, will assume power next month amid a highly volatile economic and political climate, reports Damian Fraser

For Mr Zedillo and his advisers such modernisation appears to mean reforming the country's political and social institutions, and strengthening the rule of the law.

Whereas President Salinas used the PRI as a vehicle to exercise power, dismissed more than half the country's state governors, and delayed judicial reform until it was too late, Mr Zedillo has promised to make the PRI independent of the government, devolve federal powers to state authority, and give independence to the judiciary. By opening new channels for

political participation, these reforms - if they are carried out may in the long run contribute to the stability of the country. But they will also deprive the president and his allies in the ruling party of many of the traditional mechanisms of political control. They could provoke a power battle between different interests groups in the country, as they simultaneously resist and seek to take advantage of the changes under way. Mr Zedillo has already begun one

aspect of the reform of the PRI, so far complying with his promise not

to insist on picking the party's candidates for elective office and to promote a more democratic selection-process. Such a reform - if stuck to - may strengthen the PRI at a local level, and make government leaders more responsive to the

party rank and file than in the past. Internal democracy is expected to curtail presidential power, however, and make party members less loyal to the sitting president and his policies than in the past. Once he

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Grounds in net inv

assumes office, Mr Zedillo is likely to announce a series of far-reaching constitutional changes to reform the legal and judicial system. While the details are still under

wraps, Mr Zedillo is expected to change the make-up of the Supreme Court and give it more independence; create a civil service for the judiciary to promote efficiency and integrity; and perhaps enable judicial decisions to apply to laws in general, rather than just to individ-

MEXICO'S ECONOMIC PROGRESS IN FIGURES

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"Forecast: 1, excludes privalisation income; 2, excludes maquilladoras (in-bond insports and exports); 3, exchange rate at year-end; Source: Banco de México

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ual cases as is now the case. Again, is much greater uncertainly presidential power would be reduced.

The president-elect has further promised an accord with the opposition on political liberalisation. Given the PRI's convincing win in the August election, Mr Zedillo is expected to be willing to make the Federal Electoral Institute fully Independent of the executive. But in view of the extravagance of Mr Zedillo's electoral campaign, there

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whether he will push through laws that make competition between different political parties more fair. and ensure the media play a more balanced, objective role in the polit-

ical system.

The president's ability to marshal support for his reforms - and contain the political consequences will depend in part on the performance of the economy.

It is probably no accident that President Salinas's control of the political situation began to slip when the economy was facing its greatest difficulties: gross domestic product shrank in the final two quarters of last year, and expanded by a modest 0.5 per cent in the first quarter this year.

Fortunately for Mr Zedillo, a strong economic recovery already appears under way, with growth in the second half of this year pre-

dicted at 4 per cent.

At the same time, inflation is likely to fall below 6 per cent this year; the budget will probably be in balance; and net debt is a less than a quarter of GDP. More importantly, productivity has grown rap-

idly in recent years, as companie have restructured and invested heavily in new machinery.

Nevertheless, the large current account deficit - expected to be about \$28bn - makes continued economic recovery heavily dependent on capital inflows, which partly depends on the international con-

text.
Mr Zedillo will have to balance the demands of foreign investors for an austere budget and orthodox economic policy and pressures within Mexico to tackle mounting social problems and improve infrastructure through greater spending. If the political situation does not improve, he may have to choose between maintaining high real interest rates or adjusting exchange rate policy.

With Mexican businesses expected to come under increasing competitive pressure as a result of the North American Free Trade Agreement, Mr Zedillo will certainly have to speed up the pace of micro eco-

nomic reform.

Deregulation is likely to be intensified at the state level and sectors such as railways will be opened up to greater private investment. Mr Zedillo will increase spending on training and education and probably introduce some fiscal incentives to encourage savings.

Such reforms will help boost productivity and competitiveness - and raise real wages. But they are unlikely to do much in the short term to help the plight of the 14m Mexicans under the official poverty line. Most of these live in the countryside, have little education, and will find it hard to integrate into the modern economy Mexico hopes

to attain. If economic reform continues to accentuate regional and social income disparities - between 1989 and 1992 the share of income of the poorest 40 per cent of Mexicans fell from 12.9 per cent to 12.7 per cent, while the share of richest 30 per cent increased from 65 per cent to 65.6 per cent - political sustainability of the reform programme could be in doubt.

Mr Zedillo is a professional economist with limited political experience. There are some questions whether he will be able to manage this complex economic and political environment. The success of his efforts will determine in large part whether Mexico can make the jump from the developing to developed world before the end of the decade.

# Grupo Mexicano de Desarrollo... experience and quality serving Mexico

Over the past 19 years Grupo Mexicano de Desarratio, S.A. (GMD) has been involved in the construction of highways, toll roads, hydroelectric dams, bridges, tunnels, housing complexes, office buildings, marina and port

facilities, and industrial plants more than 350 finished projects in total. In 1975 Crescencio Bailesteros Ibarra, his sons Jorge and José Luis Ballesteros Franco, and a valuable group of co-(laborators founded Grupo Mexicano de Desarrollo in order to participate actively in developing the intrastructure needed for Mexico's modernization.

 Construction and Commercial Development Division:

GMD, with its specialized subsidiaries engaged in the construction of highways, vehicle bridges, hydraulic and urbanization developments, building and other areas, fully meets the needs of its clients and users.

Construction Division and

Concession Operation: Once the construction of a concessioned toll road is complete, GMD is responsible for a variety of operating aspects, such as toll collection and maintenance. Through its various companies, GMD has also developed a network for the supply of materials and inputs for construction, which make it largely self-sufficient; it is now an international firm as well, since it has been commissioned to carry out the construction, expansion and operation of the new western the accesses to the city of Buenos

Aires, Argentina. GMD participates in a number of areas of construction, as described as follows:



GMD joined forces with the Mexican Federal Government when it began the "National Toll Road Program", making a commitment to participate in the financing, construction and

operation of high-specification modern toll roads incluiding:

The 262 kilometer Cuernavaça-Acapulco Toll Road. The 310 kilometer México City-Guadalajara Toll Road. The 98 kilometer Córdoba-Veracruz Toll Road. The La Tinaja-Cosoleacaque Toll Road. currently under construction. The Atizapán-Venta de Carpio Toll Road, currently under construction.

Transportation: GMD builds bridges and tunnels according to the highest standards of quality. Among its most outstanding pro-

tural strength, are the following: - The Papagayo Bridge on the Cuemavaca-Acapulco Toll Road. The Barranco el Cañon Bridge on the Cuernavaca-Acapulco Toll Road, - The Virgilio Bucio Nateras Bridge on the Mexico City-Guadalajara Toll Road. The Viaducto La Marquesa Bridge on the

jects, both for their beauty and their architec-

Mexico Clty

México City-Toluca Toll Road. The Elevated Electric Train in Mexico City, on which construction will begin shortly; the project will be built by a consortium of several companies including GMD.

 Tourist Resorts and Real Estate Developments: GMD is building tourist resort developments throughout the Mexican territory, helping to stimulate the flow of foreign currency into the country.

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Hotel Cancún Sunset Club - Puerto Marina Isla Mujeres ...among others.

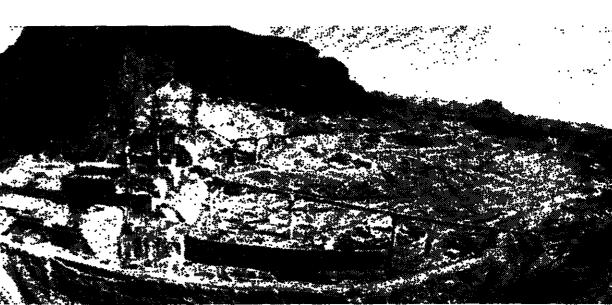
Hydraulic Works:

The Huites Hydroelectric Dam is one of GMD's most important current projects. The dam is located in the state of Sonora, where one of its main benefits for the Sonora-Sinaloa region will be providing irrigation to more than 70,000 hectares, in addition to generating 875 gigawatts of electric power per year. Another important project is the construction of a tunnel more than five kilometers long for deep drainage system and sewage in Mexico City. Under the concession system, several water treatment plants are being built in the City of Puebla and construction of similar projects will soon begin in Toluca, Morelos and León.

 Public Works: The welfare of the country's inhabitants is of vital impor-

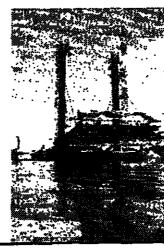
tance for GMD. This is why special emphasis is given to the construction of works that will satisfy their needs. - Drainage and sewage systems for the State of Mexico. - Master Plan for the overall development of Puerto Marques. Paving of thoroughfares.

With these projects, GMD, a leader in its field, is taking an active role in Mexico's continued growth.





Huites Hydroelectric Dam. Panaramic view Papagayo Bridge. vaca-Acapulco Toll road. Rio Papakoapan Bridge. under construction.
La Tinaja-Cosoleacaque Tali road,





Grupo Mexicano de Desarrollo, S.A. Carretera Mexico - Toluca 4000, Cuajimalpa, 05000. México, D.F. Tel: (525) 813 - 1100 • Fax: (525) 813 - 0500

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Aftermath of the presidential elections

# New political landscape emerges

Mexico's foremost challenge is to build a workable democracy, writes Luis Rubio

he August presidential election created a radically new political landscape, one which should allow the country's ills to be faced with the strength that only a legitimate government can pro-

Even more important, by voting in such huge numbers (almost 78 per cent of registered voters), Mexicans discredited violent attempts to grab power, of which there have been many examples in the last few months. The impressive turnout of voters also indicated that Mexicans want to pursue the change that has taken place over the last decade, but that they want it to deliver benefits to all, right now. The question is whether the government can deliver. The old, authoritarian politi-

cal system, established in the late 1920s, together with a closed, protected and subsidised economy, hindered Mexicans from attaining higher standards of living, while preventing them from building a political system that would have provided them with a proper system of justice as well as influence over the political decisions that affect their lives.

The old 'certainty' was replaced, since the uprising in the southern state of Chiapas on January 1, by extreme uncertainty. The traditional rules and structures had ceased to function and Mexicans suddenly found themselves lacking institutions that could help resolve the newly-found difficulties.

While the electoral process was hastily restructured to make it possible to hold proper elections in August - which were much more successful than virtually anyone had anticipated - the environment in which these were held was conducive neither to clean electoral competition nor economic development. The task ahead is clear: by

tration, Mexico should have in place a set of institutions - or at least strong foundations for them - which will secure continuous peaceful transfers of power in government, which allow Mexicans to settle disputes in a non-violent way and with full regard for the law. and that, in conjunction with an economic policy that induces rapid economic growth with price stability, make it

brethren in south-east Asia. There would be many benchmarks for this process: ☐ First, there would have to

possible for Mexicans to get

closer to the levels of per cap-

ita incomes of their richer

be, once and for all, local and state elections that are undisputable. This would mean not only that rules and realities are impeccable in terms of the level playing field that they provide, but also that all political parties cease to make every election a contest, at best, of non-institutional strength and. at worst, of reckless self-inter-

□ Second, the government and all political parties would

Elections were far from fair, claim angry opposition parties

An uneven playing field

the end of the next adminis- have to come to terms with the nary campaign in Mexico as new realities of the economy as well as with the need to work together in the process of governing. This would mean that the government, in practice, recognises that the opposition parties represent a significant portion of the population (after all close to 50 per cent of the electorate voted for them) and that, as a result, they should Mexico's productive base. have a say in the process of government. Up to now, for example. all agencies in the legislature that are supposed to keep watch on the govern-

> s regards the economy, the struggle for power over the last few years has been extended to this arena, even though the three leading political parties, at least formally, vow to pursue similar economic policies. The main case in point is the

ment have been in the hands of

the government party. Those

should unequivocally be held

by opposition parties.

North American Free Trade Agreement (Nafta). The PRD. the left-of-centre political party, launched an extraordiwell as in the US and Canada. aimed at defeating Nafta. This was not so much because it opposed the treaty, but because it wanted to oust PRI from government. If a strong turnabout of the economy is to be reached, all political groupings would have to be party to efforts necessary to transform

By the same token. Mexico will probably not experience a long-lasting recovery - measured in terms of decades as in south-east Asia - unless it faces up to the dual problem of unequal income distribution and dramatically low levels of education in a manner fully compatible with a market economy. In other words, until Mexicans break away from their past, they will not reach the level of development they desire and deserve.

☐ Third, while the dramatic change in the elections was due to the one factor that nobody predicted - an extraordinary voter turnout - none of the parties cares that much about what happens to the



was as a heavy blow to the party's candidate, Cusultiscom Cardenas, who many believe was robbed of victor in earlier elections - see the report on this page. An uneven playing field.

The absence of re-election at and fair judicial system, there all levels of government means that almost no politician pays any attention to the people. except in either a general way or when targeting individual interests they want to tap.

Yet, it is Mexicans at large that will make the difference in the next several years and that will determine whether the economy can experience a strong surge of productivity and growth or not. For most Mexicans, the hard reality of life is that there is no clean

are no means to fight corruption, and the most basic rights are too limited to be properly called 'rights.' A drastic change at the level of government and in the negotiations among the political parties should introduce changes that will improve the people's lot. But that will only take place when incentives are in place to drive politicians, the government and the political parties

Mexico, that would proba require a new constitution framework, one that is flem and non-contradictory, in other words, something that can be turned into reality, as opposed to today's legal framework, which is neither respected no realistic. When that happens Mexico will have a working democracy.

The writer is the Director of the Centro de Investigacion para el Desarrollo, a decelonment think tank, in Mexico

came as a rude shock to the Mexican opposition that despite the cleanest elections in the country's history and record voter turnout, they were still far from dislodging the PRI's tenacious grip on

It is not surprising, therefore, that the debate following the August 21 contest has focused on the uneven playing field which gave the ruling party an unbeatable advantage. The PRI's electoral machine far outspent its rivals thanks to high campaign expenditure ceilings (\$275m per party) set by the government and the generous contributions private businessmen to the P3I's war chest.

Television and radio coverage of the elections was openly biased in favour of the ruling party, to which private media companies owe their broadcasting licenses. And in the timeless Mexican tradition, government officials, from state governors down to the *caciones* (local bosses) of the smallest village, continued to help PRI Federal Electoral Institute, is

candidates, albeit with more discretion than in the past.

As a result, both the right-ofcentre Partido de Accion Nacional (PAN) and the leftist Partido de la Revolucion Democratica (PRD) are refusing to endorse the victory of the PRI presidential candidate. Mr Ernesto Zedillo as fully legitimate. The PRD is challenging the results of 55 per cent of all voting booths, claiming massive fraud.

While the PRD's complaints lack credibility - monitoring on election day was tight - the opposition has nevertheless learned to exploit its underdog image to maximum advantage. And the emerging consensus, from opposition parties to civic action groups to the independent councillors who sit on the

that elections in Mexico may now be free, but they remain far from fair.

Armed with 15m votes, the opposition is pressing for deeper political reforms. The PRI, they say, must become a genuinely independent party rather than the state's electoral arm. Realistic limits must be placed on the expenditure of political parties during election campaigns, and these must be scrutinised by independent auditors. The media should be more closely monitored for

Mr Zedillo's campaign pledges are to be believed, the government is willing to listen. The first political reform likely to be negotiated by the incoming administra-tion would give greater auton-

omy to the Federal Electoral Institute, which organises and oversees elections. At present, the institute is headed by the interior minister. Six independent "citizen councillors" have a voting majority on the governing board, but the interior minister is the only member of the council who can call board meetings, and he sets the

"If the government is serious about democracy," says Mr Santiago Creel, one of the citizen councillors on the governing board, "it should withdraw from the Federal Electoral Institute. The institute must become a truly independent fourth estate."

agenda, and appoints all the

executive officials.

Mr Creel says the six citizen councillors will resign if their demands are not met. He has

received death threats for his outspoken views - once at gunpoint outside his house - in an unpleasant reminder of the powerful vested interest aligned against further political reforms.

The onslaught against government, however, has thus far distracted opposition parties from taking a hard look at their own failings.

the 1994 elections, the PAN's presidential nominee, Mr Diego been widely criticised for failpopularity following Mexico's between presidential candi-

After the debate, his camwas the runner-up on election night, polling about 27 per cent of the vote.

ability, but we are not yet regarded as a credible alternative to the ruling party," admits Mr Felipe Calderon Hinojosa, the PAN secretary-

fact that the PAN lost heavily in the three states were it PAN's greatest challenge is how to grow into a party commensurate with the 9.2m votes it won in August.

The PRD's problems are more serious. The party's internal schisms - between those who favour a nationwide dialogue to win incremental political reforms and those who advocate a complete break with the "system" - have become deeper and more bitter since being relegated to third place in the 1994 presidential contest. The PRD's defeat came as a particularly heavy blow to Mr Cuauhtemoc Cardenas, the presidential candidate who many believe was robbed of victory during the much-dis-

Some PRD activists admit they failed to read the cautious mood among the electorate in a year which saw a peasant rebellion in Chiapas and the assassination of the PRI's presidential nominee.

Above all, they did not perceive the growing popular sup-port for results of President Salinas' economic reforms ~ we were fighting yesterday's battles," says Congressman Adolfo Aguilar, who was Mr Cardenas' campaign spokesman during the elections.

Despite tripling its votes in Fernandez de Cevallos, has ing to capitalise on his surge in first-ever televised debate

paign appeared to fizzle out. He

"We have achieved respect-More worrying still is the

in government.

his campaign, Mr Zedillo's most striking electoral pledge was his promise for far-reaching democratic and legal reform. In a key-note speech, Mr Zedillo committed his government to a fundamental reform of the PRI, of the country's judicial and legal system,

the federal electoral institute. Mr Zedillo has already set in motion the reform of the PRI and he has agreed in principle to give the Federal Electoral Institute full independence of Leslie Crawford | the government. Campaign

# Tricky balancing act

to cater to popular needs.

Given the situation in

Ernesto Zedillo prepares to name his cabinet

hen asked if he ever thought about becoming president of Mexico as a young man, Mr Ernesto Zedilio breaks into a spontaneous laughter and says only fools have such plans.

Enormously hard-working and ambitious, Mr Zedillo always sought to avoid the impression that his sights were set on the presidential office. In his five years in the cahinet – first as budeet minister and then as education minister - he avoided the limelight, built few alliances inside the ruling party, and earned a reputation for being political loner.

He won the raling party's comination largely by default. After the assassination of Luis Donaldo Colosio, the former presidential candidate whose electoral campaign he manonly member of President Salinas's inner circle who was eligible for office - most of the others were disqualified by a constitutional article which prevents sitting cabinet ministers from running for presidential office six months

before the election. Despite his political inexpeeffective, if uninspiring, candidate. He smoothed over divisions in the PRI that followed hy his nomination by appoint ing key figures from different sectors of the party to campaign positions. He won some public support by stressing his electrician and a nurse – and his administrative experience

He also set out in detail the policies he would follow were he elected. He used to the full advantage - and with no apparent shame – the PRI's huge electoral machinery, spending many times more money than opposition parties.

Despite the extravagance of of the relationship between federal and state government,

of the role of Congress, and of

prehensive overhaul of the judiciary and police, to make them more professional, and promote honesty and independence from the executive.

But the hard part has still to come. Many are sceptical that Mr Zedillo will be able to push through political and legal reforms on such a sweeping scale. Others are worried that if he does, there could be fierce resistance from his own party, and a loss of presidential power and increase in political instability.

The first test of Mr Zedillo's political abilities will come with the naming of his cabinet. He will have the difficult task of balancing political interests in the ruling party, rewarding his closest and most loyal colleagues, and putting the most capable people in the



Zedillo: committed to fundamental political and judicial reforms

right slots. The inner circle of Mr Zedillo's associates destined for senior positions are all trained economists, reflecting Mr Zedillo's back-

Key figures are said to be Mr Jaime Serra Puche, 43, trade minister and a colleague from their days at Yale University; Mr Guillermo Ortiz, 46, deputy finance minister, and another personal friend; Mr Esteban Moctezuma, a youthful 40year-old who worked with the president-elect in the education and budget ministries and was his campaign strategist in the election; Mr Luis Tellez, 36, former agriculture underminister and now Mr Zedillo's main adviser on government

Mr Serra or Mr Ortiz are expected to become finance minister, with the one losing out going to another senior cabinet position, such as communication. Mr Moctezuma has little political experience, but is viewed by some as a candidate for the development

bly for the powerful in ministry. Mr Teller may become chief of mivisers, or go to trade or agriculture minis

The big question mark is over the political positions, especially the interior minisoliticians with close ties to Mr Zedillo, but some will have to be appointed. Apart from Mr Ignacio Pichardo, head of the PRI, Mr Zedillo may consider giving political slots to Mr Arsenio Farrell, the former labour minister, and one of the governors of the states of Mexico, Aguascalientes, and

Mr Pedro Aspe, the finance ministry and one-time rival of Mr Zedillo, has made no secret of his desire to spend more time with his family. But he is likely to be offered a post, and may come under pres accept Pemex, the state oil company, the labour ministry, or perhaps the foreign minis-

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Apart from Mr Pichardo. other PRI officials expected to win cabinet rank jobs are Mr Jose Angel Gurria, the multi-lingual former debt negotiator for the foreign ministry or transport ministry; Mr Oscar Espinosa, former head of the state development bank. Mr Humberto Mira Lora may be rewarded for doing a good job as PRI's electoral chief.

Mr Zedillo is also close to some relatively unknown midlevel bureaucrats - Mr Rogelio Gasca Neri, deputy minister of transport; Mr Pascual Garcia, competition commissioner; Mr Juan Diaz Canedo, a former banker; Antonio Meza, former private secretary. One or two may make it to the cabinet, and others will become underministers or advisers in the office of the president.

At least two women are expected to be appointed. Despite run-ins with Zedillo, the front-runner in this group is Maria de los Angeles Moreno, the new secretary-general of the PRL One opposition or no-PRI figure is likely to be named to the cabinet - perhaps to the attorney-general's office, but more probably to a lesser position. The nomination of a businessman might send a positive signal to the private sector – Mr Gilberto Borja of ICA, Mexico's largest private company, is mentioned as a leading candidate.

Damian Fraser on radical reform plans for the PRI - the Institutional Revolutionary Party

# A degree of scepticism

"As president of all Mexicans, I am mined not to interfere, in any way at all, in the process of selection of candidates of the PRI, of all types, from municipal presidents to presidents of the republic."

ith these words, Mr Ernesto Zedillo proclaimed his intention to push for the most radical reform of the Institutional Revolutionary Party since its foundation 65 years ago. The reform, in theory, would make the PRI independent of the president and the government of the day. It would remove the president's power to pick PRI candidates for elective office (the so-called dedazo) and require the PRI to finance itself independently of the government.

The pressure for change comes from both within and outside the PRI. Opposition parties and many observers contest that the reform of the PRI is indispensable for democratic change in the country. Within the PRI, many officials grudgingly

accept that reform is necessary for the favoured candidate for the governor of the legitimisation of the political system; others, frustrated by presidential control of their party, want a greater say in shaping government policy and in picking candi-

Nevertheless, there is some scepticism that the internal reforms will be implemented as described. Stiff opposition to financial reform is likely to come from those who depend on the party for a living, and from those who fear that the PRI will find it more difficult to win elections when competing on a level playing field with the opposition.

Mr Zedillo himself may reconsider his pledge not to interfere in the affairs of the party if the PRI picks candidates opposed to his policies, or if the party tears itself apart as different factions fight over the

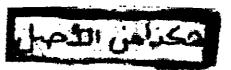
Many observers recall that President Salinas quickly dropped his commitment to have internal primaries after his

state of Colima was defeated in a primary by a local notary. But while a retreat is possible, the timetable for reform has been set, and a reversal would be politically costly. PRI leaders have agreed to hold a National Assembly by the middle of next year, which is intended to put into statute books any reforms agreed on.

Mr Jesus Reyes Heroles, the PRI official in charge of internal reform, says without hesitation that most of the changes will be implemented in time for the 1997 Congressional elections.

In a sign of its seriousness about reform the PRI has in fact already changed the way it selects its candidates. The candidate for governor of Jalisco was to be chosen in a secret ballot of around 2,000 delegates in a convention; in preceding weeks, the PRI picked candidates for local elections in the states of Tiaxcala, San





# The economy is remarkably resilient

whe Mexican economy has shown impressive resilience during a jittery election year which began with a persant rebellion in Chiapas, was followed by the assassina tion of Mr Luis Donaldo Colosio, the PRI presidential candidate, in March, continued with two damaging banking scandals and a heightened perception of the menace posed by Mexico's drug barons, who may have had a hand in the murder of the PRI secretarygeneral, Mr Jose Francisco Ruiz Massieu, in September.

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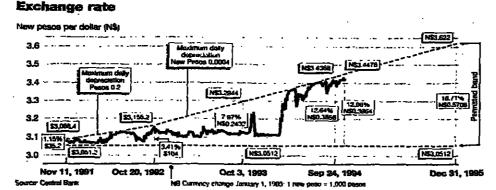
it has taken considerable skill to neutralise such sustained blows to domestic and international confidence in Mexico's economic future.

The most visible cost to the economy has been the depletion of the country's international reserves, which dropped from \$23.02bn in October 1993 to \$17.24bn last month. Much of the fall took place during the Central Bank's attempts to defend the peso, following Mr Colosio's death.

Despite political instability, Mexico has been able to generare some positive economic results. Gross domestic product is expected to grow by almost three per cent this year its best performance since 1991.

For the third year in a row there will be no fiscal deficit. Inflation in 1994 is expected to he contained below seven per cent, while an economic pact signed between government, labour and employers in September has set an inflation target of four per cent for 1995.

The goal may be too ambitious, but the trend of lower



inflation is expected to be maintained.

By setting such a target, the authorities have committed themselves to continued fiscal discipline and maintaining a strong peso. Furthermore, wage growth will be restricted to four per cent, plus productivity bonuses.

The economic restructuring that caused so much pain during the past decade appears to be finally bearing fruit. Productivity in the manufacturing sector is rising by about 10 per cent a year, according to government figures, although the gains have not been uniform. The steel, cement and capital goods sectors have adapted best to the competitive stress of a more open trading regime, while many companies in the pulp and paper, textile and footwear industries have gone

"The liberalisation of the economy has attracted much new investment, but it has also destroyed a great deal of old

capital stock," says Mr Miguel Mancera, governor of Mexico's newly-independent Central Bank. He believes the shakeout of inefficient manufacturers has run its course, and that the worst-affected sectors, such as textiles, are now back on their feet.

il this is contributing to a strong increase in manuin the first half of 1994 jumped by 20.9 per cent, and partly explains the modest recovery in economic growth. Ernesto Zedillo, the presidentelect, will inherit a balanced budget, single digit inflation and a largely deregulated economy which many analysts believe is poised to return to a period of stable and sustained growth.

As a former central banker and budget minister, Mr Zedillo is unlikely to change the economic course set by the Salinas administration, But like all new presidents, he will

want to put his personal mark on economic policy. Over the next six years, he has pledged to boost the country's lacklus tre economic growth, provide around 1m new jobs a year improve the country's highly unequal distribution of wealth, while maintaining low infla-

tion and keeping public

finances in order. Mr Zedillo has also pledged to increase public spending on infrastructure projects by 25 per cent during his first year in office, in a tacit admission that inefficiencies in the stateowned railways, electricity and oil sectors have become big impediments to faster economic growth.

in an accelerating economy, however, many economists worry that imports could grow faster than exports, widening a current account deficit that is expected to reach \$27bn in 1994, about seven per cent of GDP.

The current account deficit is unsustainable," says an Mr

Rogelio Ramirez de la O at the nomic consultancy, Ecanal. "It is being financed by largely speculative foreign capital inflows which are both volatile and sensitive to bad news. And it locks the government into maintaining high real interest rates, which in turn puts a break on growth."

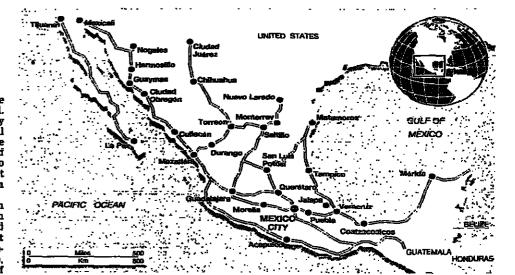
At present, Mexico's foreign reserves (backed by a \$6.7bn credit line from the US and Canada and additional support from the International Mone tary Fund and World Bank), plus net capital inflows o some \$23.5bn, are sufficient to cover Mexico's external financing gap and deter speculation against the peso.

But some economists caution against Mexico's over-dependence on foreign capital to finance the trade gap -Mexico has little control over this kind of capital inflows," says Mr Jonathan Heath, a consultant with Macro Assesoria Economica.

"It depends on exogenous factors, such as US interest rates and how other world stock markets are performing, rather than the yields on Mexican treasury bills and the performance of the Mexican bourse."

If political uncertainty or a widening trade gap led portfolio investors to bale out of Mexico, the resulting pressure on the peso and interest rates could disrupt Mr Zedillo's bestlaid economic plans.

The overriding goal of the Salinas administration, which Mr Zedillo promises to follow, has been to curb inflation to levels that approximate those



in the industrialised world. That, and a commitment to a stable exchange rate, has severely restricted the government's room for manoeuvre in macroeconomic policy.

The Pacto (agreement) signed in September left the daily slippage of the peso fluctuation band unchanged, which will place an upper limit of about five per cent on the peso's depreciation during

The incoming administration appears to have ruled out a devaluation of the currency which some economists consider long overdue - to stimulate exports.

"The problem of exports will not be solved by devaluing the exchange rate," said Mr Zedillo, in a recent interview with El Economista, a Mexican financial daily.

"A devaluation would not compensate for the lack of productivity, competitiveness and adequate strategies to penetrate export markets." There is also the fear that a

Figures in US\$r Jan-June % change 1993 1994 1994/93 **EXPORTS** Oli/oil product 3.838 -11.2 25,422 20,879 21.8 1,620 130 1,682 170 30.8 19,129 Maculiadoras 10.072 20.8 25.9 Others 9,057 **IMPORTS** 18.9 31,704 37.684 4,417 Intermediate goods 22.531 19.6 6,324 Capital goods 5,495 15.1 TRADE BALANCE -6,987 26.8 In bond exports and imports; data sources:

TRADE BALANCE

devaluation would rekindle those in the US. inflation. But the commitment to a strong peso has also kept domestic interest rates high, leading businessmen to complain that the prohibitive cost of credit is choking growth. They say they compete with US manufacturers when prime lending rates are at least eight percentage points higher than

Mr Mancera at the Central Bank appears unwilling to use interest rates as a policy instrument to stimulate growth.

"Interest rates reflect the price of capital and the general perception that inflation in Mexico is not yet fully under control," he says.

Customer service in domestic banks has improved significantly, reports **Damian Fraser** 

# Foreign banking competition intensifies

exico's richest vusinessmen may now be regretting the \$12.4bn they paid for the country's 18 formerly state-owned banks. In the two to three years since the banks were privatised, the market value of most has fallen in real terms, with profits and asset quality affected by the lower than expected economic growth, and higher than expected interest rates. The economic climate

appears to be improving growth is picking up and loan-default rates have stabilised but the banks now face the challenge of increased foreign and domestic competition.

In October, the government authorised foreigners to open up five financial groups, 18 banks, 16 brokerages, and 12 insurance companies, to compete alongside 54 domestic institutions, 36 of which have been set up since the privatisa-

The recent problems in the inancial sector have been aused mainly by the generous lending in the early 1990s and subsequent deterioration in Mexico's economy.

Bank lending increased in the early 1990s by more than 20 times the growth in GDP as the government deregulated the financial sector and interest rates fell: once the economy deteriorated, and interest rates rose, many companies which had over-borrowed were unable to meet their interest payments and defaulted on their loans.

The ratio of past-due loans to total loans has grown from 4.12 per cent in 1991 to 8.3 per cent at the end of September. Banks have been forced to put aside provisions for the non-performing loans, reducing their profits. The poor quality of their credit has required them to

maintain high margins on subsequently prepared new regulations that will require lending to cover for the chance of default, putting further presauditors and external directors sure on Mexican companies. to play a more active role in scrutinising operations of their Moody's, the rating agency, in a recent report, put most of companies, and encourage the the blame of the current situaformation of institutions to tion on the banks' poor inforrate the credit worthiness of mation systems and weak mandomestic banks.

New rules forcing banks to "The system's ability to assess their exposure to market-risks - such as interest rates or devaluation - have Mexican banks have also been announced. At the sought to improve same time, largely in response efficiency and control to increasing competition in the sector, Mexican banks have credit risks by investing sought to improve efficiency in new computerised and the ability to control credit information systems risks by shedding workers, and investing in new computer systems. Client service in adjust to a liberalised banking environment has been hindomestic banks has also improved significantly, with dered by a lack of experienced managers, poor borrower dis-closure, a lack of strong credit average waiting lines at most

counters reduced significantly. culture, the paucity of credit GF Bancomer, Mexico's secbureaux and close links with ond largest financial institution, has, for example, employed UK consultants, concentrated industrial sectors," concluded the rating Proudfoot, to re-engineer the The downturn in the sector way its commercial bank goes has co-incided with two bankabout its business.

Mr Hector Rangel, deputy as Mexicans compete schief executive, says the total keep foreign business. ing scandals that have highlighted the government's inadequate financial regulation. This year the finance ministry took over Grupo Financiero

Havre - an insurance, leasing

and brokerage company - and

Grupo Financiero Cremi-Union, one of Mexico's largest

banks. The top managers of

Havre and Union are both

accused of illegally channelling

loans to their own business

The finance ministry has

interests.

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restructuring of operations has enabled it to cut personnel mainly among middle management - by 30 per cent without sacrificing customer services. Once redundancy payments have been made, GF Bancomer expects costs to fall sharply.

Foreign institutions are meanwhile expected to put additional competitive pres sure on domestic financial groups, although given the initial limits on their capitalisation, the impact of their presence in Mexico will only be felt over the long-term. Initially, foreigners will account for 6.25 per cent of the banking sector's market capitalisation - the legal ceiling for 1994 is 8 per cent - and 10 per cent of the brokerage's market capitalisa-Under the opening, foreign

brokerages will for the first time be able to execute orders in the stock market for foreign clients, and thus will no longer having to pay commissions to Mexican houses. This may eventually contribute to a lowering of overall commissions, as Mexicans compete harder to

In the banking sector, for-eigners are expected to concentrate on capital markets activities, and on corporate finance for blue-chip corporate companies, where competition is already intense. However, anslysts expect the foreign presence in the blue-chip corporate segment of the banking market

to have a trickle-down effect. as Mexican banks respond by increasing lending to less well-known medium and smallsized companies, where margins are higher, and their competitive advantages greater.

"The broadening and deepening of Mexico's domestic money and capital markets

will, over time, lead to a more efficient allocation of credit across the board and reduction in the cost of capital," says Roberto Mendoza, vice-chairman of JP Morgan, one of five foreign institutions to have been granted approval to set

up a financial group. "As competition grows, par-

ticipants in the market will be forced to play to their strengths," he says. The large number of foreign institutions - and the tens of

millions of dollars that each will be investing in Mexico has raised questions about whether all of them will prosper. Much will depend on the economic growth. But drawing lessons from the financial institutions that prospered after London's Rig Bang Mr Mendoza says that those which already do a lot of business with Mexico will be best-placed to succeed.

# PRI reform plans

Continued from facing page:

Luis Potosi and Guanajuato through primaries or conventions. Party officials describe the results so far as a big success. The danger remains that conventions or primaries will be dominated by old-style local party bosses, who will (legiti-mately or not) be able to ensure the election of their own supporters to important

Officials say they will seek to prevent the manipulation of the selection process by screen-ing out - at the national level - any undesirable candidates and by setting up a commission to oversee internal elec-tions, but even they accept such precautions may not be

Instead, many PRI officials say the process will only work in the long run if the structure of the party is changed so that

grass roots activists are given more power; and union, peasant and local political leaders. less - "the way to solve the problem of (dominant local leaders] is to increase the presence of the territorial sector of the party," says one official. Such a process will likely be opposed by traditional corporatist sectors, creating condi-

The reform of the finances of the party may meet even more resistance, with many faring that a radical reduction in the PRI's financial resources will threaten its long-term hold on power. Perhaps for this reason, Mr Zedillo has been much more vague on details of financial reform than on the change in the way of selecting candi-

tions for a possible showdown.

No-one knows for sure what the annual running expenses of the party are - but in all 32 states there are scores of PRI offices, and hundreds if not thousands of PRI employers. Mr Reyes Heroles says the payroll has been cut by 70 per cent since the election; but he hints that such reductions only touch the surface of what needs to be done. The opposition has small fraction of such resources at its disposal.

Mr Santiago Creel, the most prominent citizen magistrate of the Federal Electoral Institute, suggests that one way to separate the PRI and the government would be to give the opposition control of the Congressional Committee that scrutinises public finances, of the office of the Comptroller-General, and to require continuous auditing of the finances of all political parties. The PRI has yet to respond to such an initiative; but if it is serious about reform, these measures and others may be necessary.



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ver the past three years, Cemen-

tos Mexicanos has gone from

being a local cement producer

to becoming arguably Mexico's leading

multinational company. In 1992, it was

responsible for Mexico's largest ever

international acquisition - the \$1.85bn

purchase in 1992 of Spain's Sanson and

Valenciana - and since then has acquired other significant cement

operations in South America and the US, and has raised more debt in the

international markets than any other

Earlier last month Cemex formally

accepted its multinational status by

reorganising its Mexican operations. In

what may be the first move of its kind

by a Mexican company, Cemex estab-

lished a separate Mexico division with

its own chief executive and staff, which,

like Cemex divisions in other parts of

the world, will report to company chair-

"This is third stage in the develop-

ment of the modern Cemex" said Hector

Medina, who will manage Cemex

Mexico. The first two stages of develop-

ment acquiring dominant market

share in Mexico and buying up cement

companies worldwide - have given

Cemex total worldwide cement capacity

of over 40m tonnes, and a market value

The new organisation will lead to

eep in some of Mexico's most iso-

some cost-cutting as Cemex merges its

lated and poorest regions a strange sight can often be

observed: a handful of well-qualified

government technicians, equipped with

laptop computers, portable satellite

dishes, plus prisms on a tripod, can be

seen calculating the precise geographi-

no obvious economic value. Surround-

cal location of a small piece of land of

ing them will be a group of destitute

farmers, trying to work out what they

The topographers - some 14,200 in

total - are working on the world's most

ambitious land-titling programme.

Employed by the government statistics.

information and geography institute,

they hope to have calculated within the

next few years the exact geographical

co-ordinates of the boundaries of some

4.6m individual plots of land - about

102m hectares - and 4.3m houses,

within the nation's 30,000 ejidos or com-

The programme, known as Procede,

began after the government changed

Article 27 of the constitution over two

years ago, giving for the first time

members of ejidos - known as ejidatar-ios - the legal right under certain con-

ditions to sell their plots, rent them out,

form associations with agro-businesses,

or borrow money using their plots as

collateral. The ejidos cover about half of

Mexico's national territory, and the 15m

eiidatarios and their families more than

The eiidatorios need land titles if the

constitutional changes are to have the

a sixth of the population.

munal farms.

Mexican business.

man Lorenzo Zambrano.

Investment sought for infrastructure and services

# Business needs new transport systems

match the need to modernise Mexico's infrastructure in roads, ports, railways, sanitation and telecommunications. The success of Mexican exports and the survival of local manufacturers facing increased foreign competition will depend in large measure on the improvement of these services, which businessmen regard as costly, inadequate

and inefficient. Over the next 15 years, Mr Andres Conesa of Grupo ICA. Mexico's largest construction firm, estimates the country will need to:

☐ Build 60.000km of high-Lay 6,600km of railway

track and reinforce 5,000 ☐ Modernise 183 ports and put into operation three industrial ports on the Pacific coast and three others on the

Gulf of Mexico. Establish an alternative airport system for Mexico

Duplicate the number of telephone lines. ☐ Extend irrigation from

6m to 8m hectares. ☐ Revamp 250 important dams and 2,100km of river-

bed dikes. increase water supply and sewerage networks for

13m people. "We estimate that \$100bn will need to be invested - just in the next six years," Mr

Conesa says.
Following the severe spending cuts of the 1980s, the Salinas administration sought to revive investment in infrastructure in partnership with the private sector. In addition to the privatisation of Telefonos de Mexico (Telmex) in 1990, the government has extended private sector participation to road building, inter-modal transport terminals, railway maintenance, water treatment plants, ports and power generation pro-

Mr Ernesto Zedillo, the

increase investment in public infrastructure by 25 per cent during his first year of office, and to set up an investment fund for infrastructure, financed in part from the income of privatisations. The fund is expected to function as a guarantor for projects, enabling the private sector to gain access to cheaper, long-term project finance.

The dearth of affordable credit to match the long recovery costs typical of infrastructure projects has proved a big disincentive to greater private sector participation. At present, most Mex-

An investment of \$100bn in infrastructure will needed in the next six years, say planners

ican banks draw the line at

10-year loans, while access to the international financial markets has been restricted due to the lack of an investment grade for Mexican debt. The financial constraints has been felt most acutely by the private sector in the construction of toll roads, of which more than 5,800km have been built since 1989 at a cost of \$10bn. Expensive credit, cost over-runs, and lower than expected traffic, caused in part by high tolls, has depressed internal rate of return, with many toll road

debt payments. Nevertheless, Grupo ICA, which has built 12 toll roads. remains optimistic about the future. The government has extended the life of concessions to make up for lowerthan-expected traffic, while some loans have been restructured.

trusts having to reschedule

cost projects more accurately and we are becoming more sophisticated in tapping the capital markets." Mr Guerrero concedes.

Mexican businessmen

president-elect, promises to expect the Zedillo administration will extend the system of private sector concessions to rail transport, even if the state retains ownership of track. US and Canadian companies are reported to be interested in joint-venture cargo operations if and when the liberalisation comes

> At present, less than two per cent of the government's investment budget is devoted to this neglected mode of transport, and as a result, and the state-owned network carries less than 13 per cent

of overland cargo. The World Bank says productivity at FNM remains less than two-thirds of comparable US railway compa nies, despite the retrench-ment of 30,000 of its 80,000 employees since 1992. Current terminal organisation. scheduling and dispatch operations are so inadequate that less than 20 per cent of shipment time is spent on

The privatisation of municinal services, such as the provision of drinking water and the disposal of solid waste, ness opportunities. Aguascalientes, Cancun, Ciudad Juarez, among other cities. have given the private sector concessions to manage their water supplies. GDM and Grupo ICA are also building Mexico's first private-sector hydroelectric power plant on the River Fuerte, on the border between the states of Sinaloa and Sonora. The jointventure raised \$250m in 12year Eurobonds to finance the project, backed by leasehold guarantees issued by the

ICA, and its partners, are among those seeking to build a private electricity plant in the city of Merida. After several false-starts, the government is expected to give the go-ahead for construction early next year.

Mexican Electricity Board.

Leslie Crawford

Multinational profile: Cementos Mexicanos

# Reducing costs, boosting profits

three regional Mexican divisions into one headed by Mr Medina. With Mr Medina taking day-to-day responsibility for the Mexican operations, the reorganisation will free Mr Zambrano and Mr Gustavo Cabellero, the finance director, to concentrate on the overall global

strategy of the group. Mr Medina is confident that Cemex Mexico will remain the centre of the group's activities in coming years. Mexico suffers from an acute shortage of housing and roads, power stations and other cement-intensive projects, and demand for cement will grow by at least twice the annual increase in GDP over the next five years.

Cemex already has about 63 per cent of Mexico's cement market, and plans to invest in new production mainly to maintain this share, than to increase it substantially. Such a strategy appears motivated partly by the company's desire to avoid over-capacity and spark

off a price war with Apasco, its rival which is majority owned by Holderbank, the Swiss cement group.

Cemex's plans of maintaining its dominant market share in Mexico may be threatened by Grupo Carso, Mexico's large conglomerate controlled by Mr.

arso bought a small regional cement company plant earlier this year, leading to speculation that it might seek to take on Cemex; either by building new cement plants or by acquiring existing ones.

Mr Medina dismisses the threat from Mr Slim: "The industry is in a very competitive position," he says. "He would need a lot of money - of course, he has it. But there are other investments more profitable and less risky. Would a logical investor invest his money in such a well-positioned industry? I doubt it."

. If Centex can avoid a price war or greater competition in its home market. then it will be in a strong position to expand internationally. The company's Mexican operations generate about 1900m a year in cash, of which about 1700m are taken up by debt service and Mexican investment obligations.

States Hatter

according to Mr Caballero.
Mr Caballero says Cemex plans to use the spare cash to invest in high growth areas outside Mexico, especially in Latin America, but not exclusively so. As part of that strategy the company this year agreed to buy Vancetios. Venezuela's largest coment company, Cementos Bayano, Panama's latgest cement company, and more cement plans in Texas. Cemex pend \$1.850n for Sanson and Valenciana, giving it about 30 per cent of the Spanish cement mar-

Cemex believes that the world cement industry is consolidating around a few giobal giants, and that international expansion is the only way it can survive in the long term. But it also arross that it has been able to reduce substantially costs and increase profits of the companies it has taken over.

With Cemex-executives having worked on four acquisitions in as many years, they are able to see were costs can be cut, says Mr Caballero.

Damian Fraser

National land-titling programme

# Puzzle for farmers

desired impact, since at present it is often unclear who owns what land. Without legally recognised land titles, they are not able to sell or rent their land easily, or from associations, or bor-

row money, as permitted by the law.

Once Procede is fully implemented ejidatarios should have for the first time secure and transferable property rights to their land and homes. While not enough to transform the ailing fortunes of Mexico's agricultural sector, the establishment of property rights is expected to encourage investment in the countryside - uncertainty over ownership rights has make farmers cautious about spending a lot of money improving their land - and promote social peace, by reducing conflicts over

land ownership. "Procede is the instrument to make the changes to Article 27 effective," says Mr Carlos Jarque, the head of the government statistics institute who is overseeing the technical implementation of the programme. "Without the titling, the constitutional changes will not have the intended impact of improving the welfare of ejidatarios."

Procede may, in addition, reduce the power of local political bosses by making it difficult for them to take away land from farmers with whom they are in conflict. In the past, local leaders have used the lack of clear property rights, and the government's legal powers to redistribute land, as a way of keeping control of farmers in the coun-

The government technicians move into an ejido to measure land co-ordinates only when the members decide in a assembly to incorporate into Procede, and have agreed between themselves in front of a special government magistrate - on where rough boundaries between plots lie.

there is no such agreement, agrarian courts are called into to settle the disputes. Since the courts may take years to resolve a case, which delays the hand-out of titles for everyone, there is a powerful incentive for the eiidatarios to reach agreement - and, so far, most have.

Under one method of measurement the topologists calculate the co-ordinates of the outer boundary of the ejido by standing on several points of it and sending signals to an overhead satellite, and taking from the satellite a reading of the boundary's geographical co-ordi-

A less accurate but faster method involves taking aerial photograph of siidos, and then asking ejido members to mark the boundaries between their own plots, homes, and communal lands. A scanner reads the marked lines between plots, and records co-ordinates on a

Data gathered from both schemes is put into a digital computerised national agrarian register which will eventually include land boundaries of all 30,000 cidos, plus 48m individual plots and 4.3m homes within them. Individual titles for plots and homes are printed from the digital agrarian registra, which has information not first on the location of the ejidos, but what it is grown there.

Mr Jarque says that the programm is unprecedented in its scope and precision, with no other country having any thing as big as this computerised registration project - "it's a pioneering programme for its size, complexity, and for the use of advanced technology." he

Nevertheless, Procede has been criticised by some for being unnecessarily complex and long-winded, and for taking too long to complete. So far, about 30 per cent of efidos have had the boundaries of their plots measured, and members of 15 per cent of spidos have received their titles - less than the government had hoped for this stage. The programme may not be completed until near the end of the decade.

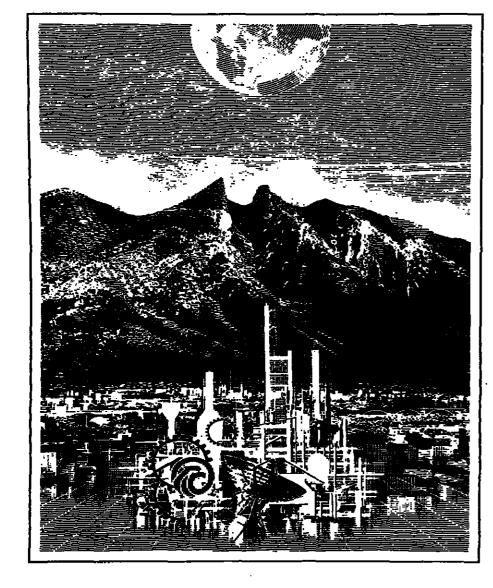
Damian Fraser (1977年)[13]。[14](197<del>7年)[14](1</del>4]

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# US/Mexican retailing alliances

# More glitz for chonnere

Trade Agreement has spawned half a dozen cross-border alliances between Mexican and US retailers which are betting on the growing purchasing power of 90m

☐ Cifra, Mexico's leading retailer, has formed a jointly owned company with Wal-Mart of the US to establish supermarkets and discount stores.

A second joint-venture has been signed between Cifra. Wal-Mart and Dillard Department Stores, which specialises in clothing and wearing-ap-☐ Comercial Mexicana the

second-largest retailer, has teamed up with Price Club of the US to rival the Cifra-Wal-Mart alliance ☐ Grupo Gigante, Mexico's third-largest retailer, has joined up with Carrefour of

France in one joint-venture and with Fleming Companies □ El Puerto de Liverpool, the Mexican department stores, are developing a combination store chain with KMart

Corporation.
The alliances have not only added more glitz to the Mexican shopping experience -they are injecting more competition into the retailing sector and reducing margins, promptcosts and look beyond the Guadalajara-Mexico City-Monterrey axis for new business

opportunities. Expansion of the new jointventures is taking place under less than perfect conditions, as the slow-down in economic growth and high interest rates have put a break on the consumer credit boom of the early 1990s. As a result, growth in consumer demand has been lower than expected. Cifra says share), which totalled \$4.58bn in 1993, have risen by only 4 r cent so far this year. Cifra executives say they

began preparing for the tougher competitive environment five years ago - "we knew the large US chains would come to Mexico once Nafta was signed, so we took a hard look at how they run their business. To survive, we had to become as competitive and efficient as the largest US

The first step was to cut operating and administrative costs. In his annual report, Mr Henry Davis, Cifra's president outlines some of the cuthacks We no longer supply our executives with cars ... subscriptions to magazines have been

Continued on next page

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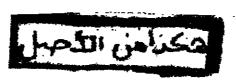
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FINANCIAL TIMES WEDNESDAY NOVEMBER 23 1994

### **MEXICO V**

Assassination links are officially denied

# Drug problem grows

fter José Francisco Ruiz Massieu, the number two official in the ruling party, was gunned down six weeks ago, Mexicans began to talk about the "Colombianisation" of the political system, reports Damian

Drug barons and their allies in the ruling party, it was claimed, were seeking to block political change and police operations against them by killing reform-minded public figures. Cardinal Juan Jesus Posadas of Guadalajara had been a victim last year; presidential candidate Luis Donaldo Colosio in March; and now Mr Ruiz Massieu, went the conspiracy theory.

"Who's next?" asked Carlos Fuentes, the novelist, in an article in La Jornada, Colum nists pointed to the spate of political killings in Colombia in the late 1980s - that preceded moves by Colombia to accept extradition of traffickers to the US – and suggested that Mexico's co-operation with the US over drug enforcement was provoking a similar reaction.

"President Salinas broke the truce between drug barons and the government.

says Federico Reyes Heroles, editor of Este Pais, a maga-zine dedicated to public opinion. Mr Eduardo Valle, a former senior aide to the attorney-general, until earlier this year, and now in exile in the US, publicly claimed that drug traffickers and senior members of the ruling party were in cahoots, and were behind the Colosio killing.

Such a view, although widely held, is rejected by the attorney-general's office, which says that "no connection" has been found between the killings. The official line is that drug traffickers mistook Cardinal Posadas for the head of a rival gang and killed him by accident; that Mr Colosio was assassinated by a lone, deranged gumman; and that drug traffickers at most played a secondary role in planning Mr Ruiz Massieu's

Backing up the official version is the lack of clear motive for recent killings: there is no evidence that drug traffickers have gained from the murders. Nor has any evidence emerged that contradicts the government expla-

or links them in any direct way. Nevertheless, the con-spiracy theories thrive. Many find it difficult to believe the a Roman Catholic Cardinal could be confused with a 28year-old drug dealer; that it was by chance that Mr Colosio was murdered in Tijuana. home to the powerful cartel of that name; and that is a co-incidence that one of the alleged conspirators in the Ruiz Massieu killing, is thought to be related to a top

lieutenant of the Gulf cartel. While the amateur execu-tion of the Ruiz Massieu assassination does not bear the hallmarks of a drug killing, some have suggested the Gulf cartel killed Mr Ruiz Massien to take revenge on his brother, Mario Ruiz Massieu, the deputy attorney-gen-eral who has cracked down on the Gulf cartel.

Others believe that Ruiz Massieu had fallen out with members of the Gulf cartel when governor of Guerrero, who had him killed before his expected appointment to the interior ministry. Still others claim that Mr Ruiz Massier was killed by old-styled politicians, who feared his supposed reformist instlucts.

QÚ (Trus

early a year after the North American Free Trade Agreement first came into effect, there is no giant sucking sound of jobs and factories moving from the US to Mexico Overall, trade flows between US and Mexico have increased substantially. but not to any one country's benefit; the two way balance of trade has remained largely unchanged.

Nor has integration of North America's economies moved as fast as many once predicted. Regulations governing trade and investment between Mexico and the US have, if anything, become more complex since the treaty came into effect. US companies have complained this year about new Mexican Customs requirements, delays and redtape at the border, plus stricter enforcement of sanitary and labeling stan-

At the same time, though Nafta was

intended to reduce uncertainty about Mexico's political and economic future by indefinitely committing it to promarket economic policies, foreign investors remain nervous about the country's economic and political prospects. Partly as a result of the peasant rebel-lion in Chiapes over the New Year, and the March assassination of Luis Donaldo Colosio, the then-leading presidential candidate, Mexico's interest rates in real terms have risen since the treaty came into effect and the stockmarket has fallen, in dollar terms.

Heralded by some of its supporters as mechanism that would transform Mexico's economy, and attacked by critics in the US as an agreement that would destroy US jobs, Nafta has so far bad a modest economic impact.

While growth of two-way trade and investment has accelerated, and the US and Canada moved to support Mexico's currency after Mr Colosio's assassination, the treaty has played a much smaller part in shaping economic and

North American Free Trade Agreement

# Trade balance still largely unchanged

political events on both sides of the oorder this year, than, for example, the

rise in US interest rates. Trade agreements do not turn trade relationships upside down," says Mr Jeffrey Schott, a fellow at the Institute for International Economics in Washwhose analysis of the treaty was 'out of the ball park,' on both the positive and

hile Nafta's supporters and opponents accept that Nafta has not yet lived up to some of the wilder expectations held for it, they argue that eight months is too short a time to judge its overall impact. The strongest effects - in terms of higher economic growth for Mexico, or arguably loss of US jobs - will, it is contended, be felt over the long-term as the bulk of tariff and non-tariff barriers between the two countries, and with Canada, are removed.

In Mexico, the government has downplayed Nafta throughout most of the year, wary perhaps that the agreement had been given too much attention in previous years, and partly on the defensive after Zapatista rebels in Chiapas attacked it as a "death sentence" for the country's Indian population, Indeed, the view - never very widely held that the treaty would rapidly usher in a period of stability and prosperity has been dropped.

"It was always a dubious notion that Nafta would make Mexico's political institutions more solid and the country more stable," said one leading ruling party figure earlier this year earlier. "It merely establishes what are the boundaries of feasible economic policies Asked to point to benefits of Nafta this year, officials and many business-men believe that the agreement has

reduced the economic impact of the political shocks this year. They reckon Nafta gave investors confidence that economic policy will remain unchanged, irrespective of political developments. Mr Ernesto Zedillo, the president-elect, and the two main opposition candidates in the August election, all broadly supported the accord.

None of the political events this year have changed the fundamentals for us,"

says Urlich Sander, head of corporate communication at Vitro, one of Mexico's largest industrial companies. We are still on the border of the largest market in the world, and because of Nafta we are still having to prepare ourselves for full competition." Such an argument appears partly

supported by economic figures. Despite the political uncertainty, direct investment into Mexico has increased rapidly this year. Mexico's non-oil exports to the US have grown by over 20 per cent. While Nafta contributed to such flows, most economists caution that it was of an influence than the raw fig-

ures indicate. Trade and investment between Mexico and the US was grow-ing rapidly before Nafta was in place. reflecting a long-term trend towards economic integration, independent of the agreement. With Mexico's economy sluggish and the US's expanding strongly, Mexico's exports would have

grown strongly even without an accord. In some cases, Nafta may have made trade more difficult. Many companies based in Mexico and the US have found it difficult to work what out - if any benefits they are due under the agree ment, and how to comply with new complex regional content rules set out by the treaty. Mexico's decision to enforce trade regulations such as Span-ish-language labelling and sanitary at the US-Mexico border, and complaints from exporters and importers.

Just as the business climate has been slow to change, critics contend that there has been no noticeable improvement in Mexico's enforcement of labour and environmental laws since Nafta came into effect. Indeed, Mr José Antonio Ortega, head of Radian Corporation, a large environmental consult-ing firm in Mexico City, says enforcement has relaxed this year, as the Mexican government no longer has had to worry about US public opinion.

The three secretariats set up under Nafta to enforce the trade, labour and environment agreements are still not fully operational, with some key posttions to be filled.

So far. US labour unions have filed two complaints alleging that Mexico is not enforcing labour laws, but as was clear when the side agreements were made public, the process of reviewing these complaints has been long-winded and none, up to now, have been suc-

Damian Fraser



A young Indian girl and baby watch about 300 soldiers of the Zapatists Army for National Liberation (EZ) Ni perading in the Lacandon Jungle of the south-eastern Mexican state of Chiepes. The Zapatistas in April ad the 75th amhersary of the murder of their revolutionar

### KEY FACTS ON MEXICO

Area and population Area: 1.97m sq kms (756,066 sq miles); cultivatable area, 19 per

cent, area suitable for livestock 48 per cent.
Population, mid-year total population, 1992 estimate: 89.53m; den-(males, 39.89m; females, 41.35m). Languages/ethnic groups

Spanish is the official language. Some American Indian languages include Nahuati, Maya and Zapoteco. Ethnic groups, (percentage of totali are: Mestizo, 60 per cent; Indian, 30 per cent; White, 9 per cent. Religious groups: Roman Catholic, 89 per cent, Protestant, 6 per cent. Currency

On January 1, 1993, the peso was trimmed by three zeros, one new peso being worth 1,000 of the old. For details on inflation trends, see page three of this survey.

Business hours Government and business, (Mon-Fri): 9am - 3pm, 5pm - 7pm, with considerable regional variations, according to local custom. Banking, (Mon-Frl): 9am - 1.30pm; certain banking services are available in large cities from 9am to 5pm. Shopping hours: (Mon, Tue, Thu, Fri.) - 10am to 7pm; Wed., Sat. 11am - 8pm.

Climate The best season for a business visit is from late January to May, but for pleasure between October and early April, when it seldom rains in most areas of the country. The climate varies with altitude: tropical southern region and coastlands are often hot and wet, while highlands of the central plateau are temperate. The temperature in Mexico City ranges from 5 to 25 degrees celsius, with occasional sharp frosts in winter, (December-February).

Time zones Standard time is the same as US Central Standard Time; six hours behind GMT in Mexico City. In Baja California Sur, Nayarit, Sinaloa, Sonora, time is seven hours behind GMT. In Baja California Norte, GMT minus eight hours. Clocks are put forward an hour in summer. National holidays

Sunday is a statutory holiday. Saturday is also observed as a holiday, except by the shops. National holidays include New Year, Jen. 1; Constitution Day, Feb. 5; Birthday of Benito Juárez, March 21; Maunday Thursday, Good Friday and Easter Sunday; Labour Day, May 1; Battle of Puebla, May 5; President's Annual Message, Sept.1; Independence Day, Sept 16; Discovery of America, Oct 12; Day of the Revolution, Nov.20; Christmas Day, Dec.25.

# Benefits of US/Mexican partnerships in retailing

Continued from previous page:

restricted, and the executive dining rooms have been closed. All breakfast, luncheon and dinner meetings have been replaced with working sessions

at our offices."
In addition, Cifra invested \$25m in computer equipment and systems last year. The new, no-frills company ethos allowed Cifra to cut operating and administrative costs from 22 per cent to 15 per cent of sales, a figure which company executives say is comparable to the best-run US chains.

US companies have sought Mexican partners because of the latter's greater knowledge of the local consumer market

and suppliers. In return, the US chains are contributing their greater experience in computerised inventory control, wholesale

distribution and their vast network of US suppliers. We are greatly benefiting from our joint venture with Wal-Mart, a company recognised worldwide as a leader in retail applications of information technology," says Mr Davis of Cifra.

"The joint-venture has allowed us to install wellproven systems and programmes which Wal-Mart already has in operation. We are, therefore, reducing our costs and eliminating the risk

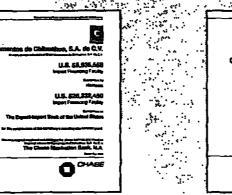
Cifra executives say they are also learning from Wal-Mart how to manage the growth of their operations. They have plans to almost double the number of stores in some 90 cities by 1997. This will require learning about the wholesale side of the business and the establishment of distribution centres equiped with computerised "just-in-time" technology to reduce inventories and transport costs.

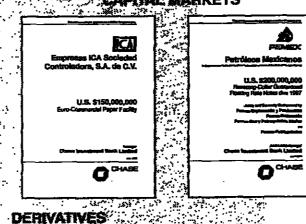
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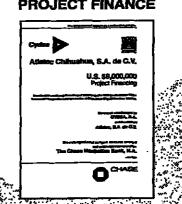
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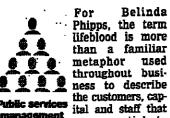
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# An efficiency that runs in the blood

Alan Pike visits Europe's biggest transfusion centre, where lives depend on a high-quality service



than a familiar metaphor used throughout business to describe ital and staff that are essential to success. Lifeblood really has been her business for the last three

As managing director of South Thames Blood Transfusion Service - she is now a consultant to the London Ambulance Service – lives have depended on the quality of service she provides.

Since Phipps and a new manage ment team took over three years ago at the once poorly-regarded South Thames, efficiency has been lifted to levels that are widely admired elsewhere in the National Health Service.

The reception area of the service's headquarters at Tooting, south London, gives visitors an accurate introduction to the organisation. Good lighting and plants make the best of an unexciting public-sector environment and generate an impression of calm and efficiency, yet all is done on a modest scale, avoiding any suggestion of excess or waste of money.

On the wall, visible to staff and visitors, is the service's purpose statement: "To help save and improve the lives of patients, with services and products provided through the generosity of donors." While this might appear self-evident, it represents the outcome of a significant exercise in mindclearing and is central to the recent efficiency improvements.

When Phipps arrived from Glaxo, where she had worked for 10 years, to take up her first public-sector post she discovered staff were confused over whether the service's customers were the donors who provided the blood or the patients who received it. The purpose statement puts the patient at the centre of the exercise - the service's core job is to ensure that hospitals can always be supplied with whatever blood products are

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teer blood donors, so it is essential for their confidence and co-operation to be maintained. But the practice of regarding donors as customers had led to some transfusion services, including South Thames when Phipps arrived. allowing volunteers to choose when to donate blood regardless of whether it was needed - even though, as some blood products have a short shelf life, it was sometimes never used.

Phipps ordered a stop to this, setting out to ensure that amounts and types of blood collected at transfusion sessions were brought more closely into line with the requirements of hospitals.

She tackled the potential problem of offending donors by approaching them individually and offering more information than they had been given in the past. The exercise has resulted in a reduction in wastage from red cells outdating to around 1 per cent, compared with a national average

Phipps discovered that late afternoon and early evening were the most popular times for donor sessions; yet nine to five tended to be the working hours in transfusion centres, meaning much blood was not processed until a day after collection. Working arrangements of Britain relies entirely on volun- the South Thames staff were rene-

Belinda Phipps: job is a combination of running a charity and a factory gotiated and blood is now pro-

cessed at night as well as day.

Phipps, the first head of an NHS
blood transfusion service to come from a non-medical background, describes the job as a combination of running a charity and a factory. This is perhaps an understatement - in addition to handling volun-teers and processing their blood

efficiently, the service must operate a just-in-time delivery service 365 days a year. Peter Garwood, the service's scientific director, admits that when Phipps arrived morale was low.

She tackled this by consulting, involving and empowering all the staff with a campaign entitled '560 brains are better than one'. Now we have an organisation where change is accepted rather than The future may, however, hold more change than the innovative

managers at South Thames will welcome. Under a government restructuring of blood transfusion arrangements, a new National Blood Authority has been established and the number of transfusion centres around the country is to be reduced. There are concerns in the transfusion service that this may lead to less autonomy for local managements to introduce the sort of changes that have lifted efficiency at South Thames.

any people enjoy hir ing incompetent underlings. After all, an incompetent subordinate can make a near-incompetent boss seem, by comparison, a near-genius. And, uncertain of tenure, the incompetent is likely to take special precautions to please

He or she will want to do exactly as told in any circumstance. The incompetent will usually be more than delighted to follow foolish instructions and, when problems arise, to screen the boss from all fallout. A good living is thus to be commanded by the canny incompe-tent's well-honed fawning and grov-

Given that an incompetent under-ling can offer many satisfactions to the boss, how should a recruiter go about finding one? The knack of appointing such individuals is a talent shared by many senior execu-tives. But it is largely unconscious - although the would-be recruiter constantly hires incompetents, he is likely to be unaware of the precise

techniques exploited.
Indeed, unless properly
instructed, the recruiter may actually wind up accidentally recruiting
a competent subordinate. This is likely to cause untold heartache, for such a subordinate is likely to prove a troublemaker for the boss, always querying instructions, refus-ing to carry out orders that do not seem to make sense, maybe even indulging in "whistle blowing".

So how can the intelligent executive assure himself that the person he hires will be a genuine incompetent, and not one of those emotionally mature, stable, savvy achievers who always turn out to be troublemakers? The answer lies in heeding the following eight commandments.

Never conduct a real search for qualified candidates. Instead, restrict yourself to hiring other people's rejects and make all your appointments from the unsolicited CVs that cross your desk. These, for the most part, are going to be directed to you by out placement firms that specialise in finding new employment for people whose present employers do not want them around anymore. This is a rich pool which, if carefully fished, can be relied upon to produce out-and-out incompetents over and over again.

 Place great emphasis on appearance and presentation. Take to your bosom the advice of Oscar Wilde that: "It is only shallow people who do not judge by first appearances. Favour the kind of candidate who

most fits your own notion of what an executive ought to look like. Pay close attention to the candidate's clothes. Work upon the assumption that a Brooks Brothers suit denotes stability, and that silver hair



# How to hire an incompetent

It's harder than you think. John Wareham offers tips

bespeaks wisdom. Never hire an executive who wears unseemly hose, or who sports scuffed shoes. Hire the best-looking candidate, the individual who bears the strongest physical resemblance to your own attractive personage. By all means feel free to hire your own offspring and siblings.

• Talk to candidates but never interview them. It is naturally very important to impress upon those in your organisation that you are serious about hiring "good people". Thus, you will probably want to spend a lot of time talking to candidates about your job, sharing your values and philosophies.

Tell them at length about your company and yourself, your upbringing, your view on everything. If the would-be recruit's attention flags at any point, then throw the ingrate out, for the candidate who cannot at least seem to be paying attention for hours on end to incoherent ramblings from a prospective boss is unlikely to be a roper incompetent.

• Don't bother to ask for too much material on the candidate. Simply assume that it is all on the CV. Or adopt an avant garde attitude and work to the assumption that you must not invade anyone's privacy by inquiring about any possible "employment gaps".

● Hire from your own social circle. Explain to your colleagues that "the chemistry has to be right" before you will hire. This way you can restrict your hiring to people who not only look and dress like you, but who also share you opinions on pretty well everything. Put a great deal of emphasis on

"name" colleges and clubs.

By so doing, you will more or less exclude the kind of independent-minded person likely to prove a troublemaker. With any luck at all, you will wind up recruiting a first-rate non-threatening incompetent with whom you can harmoniously

• Reject generalists in favour of technicians. A wonderful way to by-pass competent people is to make technical - as opposed to emotional - qualification your key selection criterion. This is a much-favoured technique, because spotting and quantifying technical education and exposure is infinitely easier than spotting and hiring the emotional qualities that go to make

a truly competent person. • Place great reliance on references from past employers. A good way to hire an incompetent is to solicit bland comments – about

the only comments offered these days - from previous employers. It is vital to take such comments at face value, and to ignore or overlook cagey endorsements. So, when someone says: "In my opinion. you'll be fortunate to get this candidate to work for you," tune out the sub-text and delve no.

• Never get a psychological evaluation on the candidate. The vital thing in hiring incompetents is for everyone to believe or pretend to believe that the incompetent is a great prize. Unfortunately, a psychological evaluation may let the cat out of the bag.

So, when the company chairman

having suddenly noticed what can no longer be hidden, that your staff never seem to get anything done suggests that it might be smart to have your future candidates screened by a professional before any hiring, proclaim loud and long that you simply do not believe in all that mumbo-jumbo. And never let yourself be evaluated. That could be the end of everything.

The writer is founder and chief erecutive of Wareham Associates, a New York-based management consulting firm and the author of

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**PEOPLE** 

# Morton and Foley aim to build up Baris

Bob Morton and John Foley Midlands engineer. have emerged at the controls of Baris Holdings, the troubled loss-making building materials group which specialises in fire protection and dry lining.

Morton, a Midlands financier with a taste for buying into sick companies and nursing them back to health, has become non-executive chairman of the Nottinghamshire group and called in Foley to be

Foley had been biding his time for a new job since Sep-tember when he came to an amiable parting of the ways with Triplex Lloyd, the West

Morton fireproofed Baris's

ailing finances by buying into a rights issue, persuading National Westminster Bank to convert debt into equity and, with Foley, trawling round the London institutions to persuade them to support a share

placing.
Foley's first job is to overcome the £3.1m pretax loss in the year to last February. His second is expansion. With 300 employees, Baris is down to the core business after unhappy excursions in Germany, Spain and a lengthy dis-pute with Wimpey about a con-



tract for the Little Britain development in the City of London. "It was quite a good business," says Foley.

Robert Smith, the former chairman and chief executive, remains on the board as an executive director. Paul

Finance moves



Renato Riverso (above), former chairman and managing director of IBM Europe, is joining the board of Baring Investment Banking, the newly formed investment banking arm of London's oldest merchant

Riverso, 61, who will retain appointed a director of his role as chairman of Alit-FOX-PITT, KELTON in its

alia, the Italian flag-carrier, is the first non-executive director to join the board of Baring Investment Banking, formed earlier this year when Barings combined the management of its Baring Brothers & Co mer-chant banking business with Baring Securities. Riverso has also been appointed chairman

of Baring Brothers (Italia). Riverso is the latest big name to be recruited by Barings. Earlier this year Jean Peyrelevade, president of Credit Lyonnais, and Yoshihiko Miyauchi, president of Japan's largest leasing company Orix, joined the board of Barings plc, the parent of the group's activities.

John Franklin, formerly corporate finance director of Morgan Grenfell, has been

corporate finance division. ■ Steve Baker has been appointed head of MIDLAND Bank Fund Managers (Jersey). ■ Jim Cantwell and David Cockburn have been appointed directors of investment banking in London for SALOMON BROTHERS; they move from Morgan Stanley's

investment banking practice and from Lehman Brothers, respectively.

William Black has been appointed a director of

CAPITAL & COUNTIES. ■ Michael Goggin has been appointed md of TULLETT & TOKYO Forex. Mike Cosgrave and Ian

Forrest have been appointed directors of SWISS BANK CORPORATION in London.

Peter Ledbetter, a director of IRISH PERMANENT, has been appointed md of its

### subsidiary Guinness & Mahon. Metrotect: new finance director

Metrotect Industries, the has falled to live up to expectanewly-floated company which makes protective coatings for tation, it more than trebled its pipelines, is changing its finance director less than a fortnight after it warned that its profits would be sharply lower in the current year.

Guy Thomas, 31, a senior slightly. audit manager with Ernst & Young, the company's auditors, joins the company as tax profits but warned that its finance director on January 1. full year profits were likely to He replaces Jim Ball who will be below last year's figure. remain on the board as company secretary.

share in the summer of 1993, instructed Ernst & Young to Hall

tions. In the year before its floprofits and doubled its turnover to £22.6m. But in its first full year as a public company its profits rose by 3.5 per cent to £2.36m and turnover fell

Earlier this month Metrotect reported a jump in interim prenow carrying out a review of Metrotect, which was floated all contracts being undertaken

review the company's budget-ing and management information system. This review will include the budget for the year ending March 31 1995.

Metrotect, which was created from a 1990 management buy-out from BPB Industries, said that it is clear that the result for the second six months is likely to be no better than the result for the first six

As a result of this statement analysts have downgraded their forecasts from £1.9m to fl.6m and the shares fell by

### **Improved** access at **Simon Engineering**

Simon Engineering has brought in two outside executives, John Mottram and Frank Cunliffe, to run Simon Access (UK), a new company which integrates all its powered access activities in the UK.

Mottram, most recently deputy md at Hughes Rediffusion Simulation, becomes managing director of Simon Access (UK). Cunliffe, previously the engineering director at Massey Ferguson Tractors, appointed to the new post of operations director.

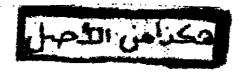
The new company combines the former Simon Gloster Saro, Simon-Dudley and Simon Access Sales and Service, and will begin trading on January 1. It follows the restructuring of the Simon Access UK manufacturing operations into one plant at Gloucester.
The access business is one of

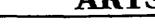
three on which Simon Engineering is concentrating, as part of its restructuring. The managing director of Simon Access is Ron Wheeler, who took over from John Barker early this year. *Andrew Baxter* 

■ Allen Halliwell, 58, the for-mer technical director of Por-vair, one of the world's leading producers of microporous materials, is retiring after 25

years with the group.
Halliwell was one of the three directors who helped organise the management buy-out from United Technologies in 1982. The other two are Doug Berwick, a former finance director, who retired nearly ten years ago, and John Morgan, 55, the chairman.

Halliwell, who steps down at the end of November, is currently managing director of the group's Middlesex-based Porvair Filtronics, a medical diagnostics subsidiary and the smallest of Porvair's businesses. Ken Symonds, Porvair's finance director, said that the group was sad to lose Halliwell and wished him a long and happy retirement. However, Symonds stressed that his departure would not damage Porvair's technological lead in microporous materials. Porvair spends 5 per cent of its turnover on research and development and has 40 technologists on its 370 staff.





pendent production com-pany with the intention of breaking into televi-sion. Should you go for costume drama? Serious investigative journalism? Opera? Certainly not, they are all expensive and difficult. What you need is a new age inter-active programme, presented in studio, by someone from children's programmes, preferably with very odd mannerisms, gided

by a transvestite, backed by a team

of researchers on telephones, con-centrating on spiritual healing, lost

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relations, and money prizes.
One of the biggest changes for years in British television is currently proceeding almost unremarked, largely because it is rather difficult to define. It has been mentioned previously in this column as an increase in tabloid television, but that phrase is really too glib. and consequently misleading, because very few of the programmes in question are concerned with news in the way that the Daily Mirror is. The analogy does hold up if by "tabloid" you imply such obsolete publications as Reveille, Weekend and Tit Bits which were devoted chiefly to providing entertainment via matters of fact.

Television/Christopher Dunkley

# Nothing succeeds like excess

are not simply seeing one easily defined type of programme replac-ing another, it is not like detective series taking over from Westerns. Rather it is a question of one com-pendium of attitudes, approaches and subjects declining while another set rapidly rises. Variety –
in the sense of programmes which
incorporate singing, dancing, conjuring and so on – is not dead, but
its long term decline has accelerated. The Decrey Sphere Shore with its The Danny Baker Show with its familiar rock stars, soccer person-alities and musical interiodes may look like something from the 1970s, yet BBC1 has only just launched it but it, too, is in long-term decline, "Light entertainment", in virtually all the forms originally borrowed by television from other places, is declining.

Taking its place is material which in some cases would once have been regarded as journalism but which is beginning to evolve into something else: book or travel programmes are now presented by comedians (Griff Rhys Jones with The Bookworm on BBC1, Yony Robinson, best known as Baldrick from Blackadder, on tonight's Great Journeys on BBC2). In other cases the process is further advanced and we are getting material which is neither borrowed nor adapted from elsewhere but is television entertainment sui generis. The Full Wax is a good example, incorporating some elements of the chat show and bits of stand up comedy but relying chiefly on the sort of flight of fautasy in which Ruby Wax managed to get Felicity Kendall, of all people, to appear on Sunday as a sado-masochist madam in full patent leather regalia complete with chains, whip, and stilettos, ostensibly in her own home.

At 7.00 on BBC2 tonight is Lifeswaps, based on the interesting idea of getting people to change places (homes, jobs, everything) for a week but introduced by the drag artist Lily Savage, a choice which would have seemed startling only a couple of years ago but which now passes virtually without comment. The result last week was that the "presenter" in theatrical high heels, stage frock and wig was required to totter around a Welsh cottage and, indeed, Welsh fields.

utrageousness in presenters is now so commonplace that it is becoming unremarka ble. From the absurd accents of Lloyd Grossman and Antoine de Caunes to the hyper-activity of Kriss Akabusi and Chris Evans (Don't Forget Your Toothbrush returns on Saturday) it becomes increasingly clear that in television presentation these days nothing succeeds like excess. If you are not a comedian, drag artist or hysteric (Noel Edmonds,

the balls!") it is best to be a former presenter of children's programmes. Though it is the older section of society that is expanding, broadcasting chiefs are still obsessed with yoof, and anyone who has worked on Blue Peter or anything like it is in great demand. Anthea Turner, ex Blue Peter and now on the ITV breakfast show, was one of the outside reporters on the first lottery programme and will be co-presenting from this week, now that Edmonds has done his stuff. Andi Peters, former continaity presenter for BBC children's television, is co-presenting Good Fortune!, the new BBC1 series which hunts down unclaimed prizes and bequests and presents them - and often long lost acquaintances in the style of This Is Your Life - in front of a studio audience.

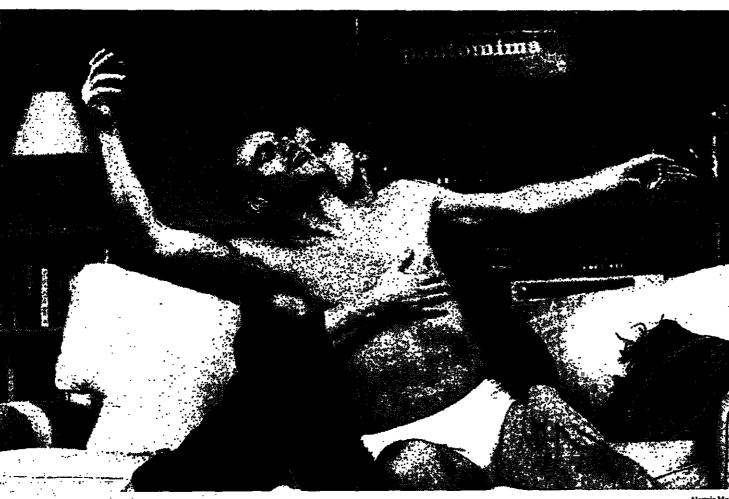
towards the end of presenting the first National Lottery, with eyes

bulging, screamed "And now for the countdown to the activation of

Phillip Schofield, another pre-senter from BBC children's television, has just begun Schofield's Quest on ITV on Sunday evenings. This describes itself as a "mystery solving show" though this week's edition had no solutions to the mystery of UPOs on likley Moor, the mystery of a government secu-rity garage in Streatham, or the tives. Like Good Fortune! and so many of the tabloid shows going back to Crimewatch, this one is "inter-active" or, even more trendy, "pro-active", meaning that rows of researchers sit at one end of the studio talking on telephones. While Schofield's Quest could not be described as a "new age" series, it is perfectly happy to deal with spir-itual healing, ghosts and the like, the very subjects on which ITV's new Friday evening series Strange But True? concentrates.

The more of them you watch, the more these new television pro-

grammes seem to have in common with those old weekly tabloids. Every item is designed to make the onlooker say either "Just fancy that!", or "Ahhh", or possibly "Oo-er". Everything is "people oriented", meaning that even when it could be called journalism there is a distinct lack of issues or ideas and a perpetual concentration on the minutiae of individual lives. At every turn the customer is urged to "interact" with the programmes by phone, as they once did with the papers by letter. Everything is "personality" driven, meaning that a small group of people who are famous for being well known keep on turning up over and over again. The distressing thing is that, although we are still getting Martin Chuzzlewit, rugby internationals, and (last night) the odd and rather frightening Clint Eastwood movie *The Beguiled* – in other words, material for which television acts as a "medium" in the sense that it originates elsewhere there is a strong feeling that Good Fortune!, Lifeswaps and The Full War are "real" television. After all, these are the programmes that television invents and makes for itself. Be in no doubt, we shall be seeing a great many more like them.



Joe Duttine and Anthony Calf in this wistful, gay comedy that switches from farce to pathos and back again throughout Theatre/Alastair Macaulay

# 'My Night with Reg' goes West

las, poor Reg. I knew him, Horatio, a fellow of infinite bonkability . . . knew him in the Biblical sense. Horatio, in this case, is Guy, a confirmed bachelor who is nearing 40 and who does a lot of listening. My Night with Reg - one of the several success stories of 1994, now reaching the West End after its acclaimed opening in March at the Royal Court's little Theatre Upstairs - is a wistful comedy by Kevin Elyot about six gay English-

men during the last ten years. Reg, whom we never see and who dies before the second of the play's three scenes, was a right little goer; but only Guy begins to discover how much so, as each of the other men start to confide in

Not that Reg was unique. Daniel (his official lover) and John (his most smitten secret lover) used to

get around no end until he entered their lives. Once he leaves their lives, they pick up the old promiscuity where they left off. All of this they tell to Guy, who is still languishing, 15 years after Oxford days, with a love for John that he never confesses.

Guy knits ("a cover for my door-sausage, actually") and has bestial 'phone sex with Brad, whom he has never met ("a lorry driver. he says. I suspect he's a florist, but what's it matter?") and listens and frets. Yet cruel fate has it that it is poor, neurotic, spinsterish Guy who, to our sur-prise, departs, of Aids, before the third scene. My Night with Reg switches from

farce to pathos and back again throughout, it is studded with lines so funny that the audience guffaws for the next half-minute; it rings so many bells for me that I wonder if

suspense. William Dudley has designed a gorgeous interior set that fills the large Criterion stage. And Roger Michell's direction negotiates the trickiest moments - men in tears or starting to make love with each other - with extraordinary persuasiveness.

wish, however, that the play did not come garlanded with press quotations that speak in superlatives and about genius; and I wish, for its sake, that it did not reach the West End towards the end of a year which has already brought a billion plays about homosexuality to British stages. (How many plays are there around to take one's aunts to, for heaven's

Most of the Reg characters are too close for me to caricature or for me

mon; and it has brilliant effects of experienced a succession of various tiny pangs on their behalf. John Sessions brings immense braggadocio panache to Daniel but about half his role consists of comic set pieces, and he delivers them as such. David Bamber overdoes the knock-kneed neurosis of Guy, a role that surely could stand more dignity; I could not believe that the other characters could bear the respect for him they

> Only the pathos of John - the most physically attractive and the most spiritually doomed - is seriously affecting, and unusual.
>
> And Anthony Calf's interpretation of this dear unhappy beauty, utterly absorbed in his own pointless and charming life, is astonishing - a study in golden hopelessness.

At the Criterion Theatre, W1

# Iron man wins the Turner

ntony Gormley is this year's winner of the Turner Prize. He received his \$20,000 cheque at the Tate last night, a safe, unexceptional choice from a rather lack-lustre vintage. Gormley was the favourite, an established artist whose work already sells for £30,000-plus thanks to the astute handling of his dealer, the fashionable Jay Jopling.
Gormley is the subject and the

object of his own work, plastering his body to make moulds which are then converted into lead, or iron, or concrete shapes. His main contribution to the Tate's display of the short-listed artists was "Testing a World View", four contorted figures of Gormley cast in iron left lying around a large empty space. As in most contemporary art the viewer was left to decide what it was all about, but perhaps it evoked remnants of the body left like driftwood after a natural disaster, a Hiroshima or a Pompeii.

His most famous creation is "Field for the British Isles", over 40.000 hand-sized clay figurines made by the people of St Helen's and, in contrast to his Tate exhibit, displayed in packed intensity to show how man crowds out the uni-

Among the other short-listed artists was Iranian born Shirazeh Houshiary, who takes a suitably mystic view of art with "The Enclosure of Sanctity": five lead cubes,

taining a kaleidoscopic display of brilliant colours inside - silver foil, gold leaf, and more.

Representing another powerful contemporary tradition was Willie Doherty from Derry in Northern Ireland, whose exhibit consists of a darkened room in which two videos evoke the horrors of the Troubles, with the killer and the victim sharing a last car ride and commenting impartially on an unsure dénouement. Doherty's thesis that there is no such thing as an innocent victim may be specious, but the work conveys the unreality of the place.

The fourth finalist, Peter Doig, was a real outsider, being a painter whose work is almost figurative. He paints buildings threatened by nature, postcard scenes attacked by disjointed colours, art that both reassures traditionalists but gives modernists enough speculative challenge to chew on. As is customary now, this annual

award for the best British artist under 50 became itself performance art, with hundreds of wannabe artists mobbing guests outside the Tate, many displaying their own creative ideas. Their efforts were not in vain. Stella Artois organised an alternative party for them in Piccadilly.

The Tate is happy that the Prize generates controversy, for this brings visitors to the gallery to see the work of the short-listed artists. It also gives contemporary art a



lively, combative, embattled feeling, despite the fact that the winners tend to belong to a small, inward looking, coterie and the event is sponsored, by Channel Four.

Winner Antony Gormley

Although it did not produce the high jinks of 1993, when the winner, Rachel Whiteread, was also forced to accept \$40,000 from the K Foundation for being the worst shortlisted artist, the 1994 Turner was remarkable in its own way. The prize was handed over by Charles Saatchi, the UK's biggest buyer of contemporary art by far, but, until last night, a confirmed recluse. Only for the Turner would be mate-

Antony Thorncroft

### Jazz/Garry Booth

# John Surman's Brass Project

axophonist John Surman tells a story about touring in Norway. Arriving at a club in a town near the arctic circle he found his audience amounted to one solitary figure, sitting at a table in the corner. "Look," said Surman, "There is really no point in me playing. Why don't we just have drink together and a chat?" "Suits me," said the Norwegian, "I was meant to be your

pianist tonight." The story, typical of Surman's self-deprecating humour, belies the huge following the multi-instrumentalist has across Europe. At 50, Somerset born Surman finds himself one of a few great saxophonists who can run nimbly with a baritone. A protean improvisor, he also moves gracefully between soprano sax and bass clarinet within a single composition and works as much magic in an arranged orchestral setting as he does unaccompanied.

Described in the 1960s as one of ence (bass) and John Marshall the common market jazz musicians. Surman's playing and writing owes as much to European choral music and Scottish jigs as it does Chicago blues. The young Surman reached his late teens without ever hearing a note of jazz and instead sung soprano in the choir for fun. It was not until his voice broke that he picked up a clarinet and subsequently tuned into syncopation. Later he listened to folk music and made a conscious decision to be absorbed in what he describes as "a

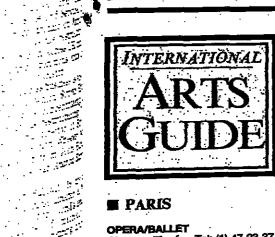
different kind of blues". The result is a distinctively Eurocentric composer and improvisor whose playing has as much resonance for fans of Vaughan Williams as devotees of Trane.

This 50th birthday concert tour captures Surman solo, in sublimely pastoral duet with pianist John Taylor and also in quartet with the addition of old friends Chris Laur-

(drums). But the real draw on this tour is Surman's ten piece labour of love, The Brass Project. The conspicuously piano-less brass choir is robustly arranged (and directed) by John Warren. Opening at the Nor-wich Arts Centre of Friday the ensemble surrounded Warren with a great, rich panorama of sound. Surging trombones gave deep col-our background to sheets of sound from Surman's bass clarinet: vivid trumpets pierced their chattering choruses. The momentum from Laurence's bass was dizzying.

Surman is an inveterate tourer but without funding it is hard to put a big band like this on the road often. Hear it while you can.

John Surman and The Brass Project at Sheffield Crucible (Nov 26), London Queen Elizabeth Hall (Nov 28) Nottingham Old Vic (Feb 1).



### PARIS

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24 Kitege: opera by Rimsky-Korsakov, Director Valery Gerglev at 7.30 pm; Nov 23

La Dame de Pique: opera by Tchalkovsky. Director Valery Gergiev at 7.30 pm; Nov 25, 26, 27; Dec 1,2 La Khovantchina: opera by Mussorgsky at 7.30 pm; Nov 29, 30;

OPERA/BALLET Deutsche Oper Tel: (030) 3 41 92

 Dialogues des Carmélites: by Poulenc, in three parts. A new production directed by Günter Krämer. Conductor Jiři Kout at 7.30 pm; Nov 23, 25, 29; Dec 1

### BONN

Dec 3, 4

OPERA/BALLET Oper Der Stadt Tel: (228) 7281 Il Guarany: by Antonio Gomes, in Italian with German surtitles. Conductor John Neschling. production by Werner

Herzog at 8 pm; Nov 30 La Fanciulla del West: by Puccini, Italian with German surtities. Conductor Eugene Kohn, production by Gian-Carlo del Monaco at 7 pm; Dec 2 (8 pm)

 La Traviata: by Verdi. A new production conducted by Eugene Kohn, with production by Jürgen Rose. In Italian with German surtitles at 8 pm; Nov 26 (7 pm); Dec 4 (7

 The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced and Choreographed by Youri Vámos, conductor Michel Sasson at 7 pm; Nov 27;Dec 1 (8 pm), 3

#### ■ BOLOGNA OPERA/BALLET

Teatro Comunale Tel: (051)529999

Il Turco in Italia: by Rossini. A new production directed by Evelino Pldo at 8.30 pm;Nov 26,29; Dec

#### **■ ROME** THEATRE

Teatro Dell' Opera Tel: (06) 481601
L'Arlesiana: by Bizet at 7 pm; Nov 25, 26, 27

### **AMSTERDAM**

GALLERIES Rilksmuseum Tel: 020 673 21 21 Art of Devotion 1300-1500: major winter exhibition focusing on the spiritual function of objects in the medieval period; from Nov 26 to Feb 26 (Not Sun) OPERA/BALLET Het Muziektheater Tel: (020)551

 Rosa: new production of the opera by Andriessen. Directed by Peter Greenaway at 8 pm; Nov 25,

### **■ LONDON**

7.30 pm; Dec 6, 8

CONCERTS Barbican Tel: (071) 638 8891 Mozart: Idomeneo: Sir Colin Davis conducts the London Symphony Orchestra at 7 pm; Nov

Festival Hall Tel: (071) 928 8800 Philharmonia Orchestra: with conductor Charles Dutoit and planist Peter Jablonski play Tchaikovsky iano concerto No. 2) and Shostakovich (symphony No.5) at

 Royal Philharmonic Orchestra: with conductor Vladimir Ashkenazy and pianist Shura Cherkassy play Rubenstein's piano concerto No. 4 and Tchalkovsky's Manfred Symphony at 7.30 pm; Dec 7 Russia Old and New: Royal Philharmonic Orchestra with the Brighton Festival Chorus, London Choral Society and conductor Vladimir Ashkenazy perform Schnittke, Prokofiev and

Rachmaninov at 7.30 pm; Dec 5 Vienna Philharmonic Orchestra: Schubert symphony No. 8 and Brahms symphony No. 4 conducted by Carlo Maria Giulini, at 7.30 pm; Nov 23

Queen Elizabeth Hall Tel: (071) 928

The Fall of Icarus: Multi-media event inspired by Bruegel's. 'Landscape with Fall of Icarus'. Belgian director Frédéric Flamand collaborates with Italian artist Fabrizio Plessi and composer Michael Nyman at 7.45 pm; Dec 2.3 **GALLERIES** 

claimed.

Hayward Tel: (071) 261 0127 Romantic Spirit in German Art 1790-1990: examines work of early Romantic painters. Includes section on German Expressionists; to Jan 8 National Gallery Tel: (071)839 3321 Allegory: selection of paintings from the permanent collection on the theme of allegory; to Dec 4 (Not

Sun) Royal Academy Tel: (071)439 7438 • The Giory of Venice: a major survey of Venetian art In the 18th century: to Dec 14 OPERA/BALLET

Barbican Tel: (071) 638 8891 The Kirov Opera: director Valery Gergiev brings his entire company to the UK for just one night to give the first complete British performance of Rimsky-Korsakov's opera, The Legend of the Invisible City of Kitezh at 7 pm; Nov 28

632 8300 Ariadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm; Nov 25; Dec 1, 8 Khovanshchina: new production of Mussorgsky's opera. Director Francesca Zambello at 6.30 pm;

English National Opera Tel: (071)

Nov 24, 30; Dec 3, 6 Royal Opera House Tel: 071 240 An Ashton Celebration: The Royal Ballet Company pays tribute to its

founder choreographer with a short festival of his work, consisting of 12 ballets and divertissements. Performance includes a new production of Daphnis and Chloë by Ravel at 7.30 pm; Nov 28, 30 La Traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Phillipe Auguin.

In Italian with English surtitles at 7.30 pm; Nov 25, 29; Dec 2, 5, 8 Mixed Programme: includes the World Premiere of Michael Clark's New Clarke Ballet, Fearful Symmetries choreographed by Ashley Page, and Symphony in C by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 1, 6, 7

 The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Nov 23, 26 (2 pm); Dec 3 (2 Gleigud Tel: (071) 494 5065 Hamlet: by Shakespeare.
 Directed by Peter Hall, designed by

Lucy Hall, With Stephan Dillane, Michael Pennington, Donald Sinden and Gina Bellman at 7.15 pm; to Feb 4 (Not Sun) National, Olivier Tel: (071) 928 2252 ● The Seagull: by Chekhov, in a new version by Pam Gerns. Sat mat at 2pm at 7.15 pm; Nov 23, 24, 25,

#### **GALLERIES** Museum of Modern Art Tel: (212)

**■ NEW YORK** 

708 9480 A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24 OPERA/BALLET

Metropolitan Tel: (212) 362 6000 ● Don Giovanni: by Mozart, sung in Italian at 8 pm; Nov 25, 28; Dec 2,6 Lady Macbeth of Mtsensk: by Shostakovich at 8 pm; Nov 26, 30; Dec 3. 7

 Madama Butterfly: by Pucciniat 8 pm; Dec 1, 5, 8 Rigoletto: Italian opera by Verdi at 8 pm; Nov 23, 26, 29; Dec 3 New York State Theater Tel: (212) The Nutcracker: by Tchaikovsky.

performed by the NY City Ballet. Tue-Thu 6pm. Fri 8 pm. Ring for other times and matinees; from Nov 30 to Dec 31 (Not Mon) Walter Kerr Tel: (212)239 6200

 Angels in America: Tony Kushner's Tony-award winning play. Sun mat at 3pm. Wed., Thurs., Sat. at 8 pm; to Dec 4

#### ■ WASHINGTON CONCERTS

Kennedy Centre Tel: (202) 467 4600

 Los Angeles Philhamonic Conducted by Esa-Pekka Salonen, with pianist Ollie Mustonen play Lutoslawski, Ravel and Sibelius at 5 pm; Nov 26 GALLERIES

Phillips Collection Tel:(202) 387

Pictographs of Adolph Gottlieb: exhibition of one of the founding members of the New York School;

to Jan 2 OPERA/BALLET Kennedy Centre Tel: (202) 467

 Le Nozze di Figaro: by Mozart sung in Italian with English sur-titles at 8 pm; Nov 25, 27 Washington Opera Tel:(202) 416

 Faust by Gounod. Director, Ellen Douglas Schlaefer, conductor, Richard Bradshaw, Faust played by Jianyi Zhang. In French with English surtitles. at 7 pm; Nov 26

#### WORLD SERVICE BBC for Europe can be received in western Europe on Medium Wave 648 kHZ

#### EUROPEAN CABLE AND SATELLITE **BUSINESS TV**

(Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY NBC/Super Channel: FT Reports 1230.

TUESDAY Euronews: FT Reports 0745, 1315, 1545, 1815,

WEDNESDAY NBC/Super Channel: FT Reports 1230

FRIDAY NBC/Super Channel: FT Reports 1230 Sky News: FT Reports

0230, 2030

SUNDAY NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430, 1730;

### **Edward Mortimer**

Just over a year ago, when the Clinton administration still hoped to discover a unifying theme for its foreign policy, Anthony Lake, the president's national security adviser, came up with

'enlargement". Soviet expansionism had been successfully contained. Now was the time to "enlarge" the circle of freemarket, liberal democracies.

That sounds good, but it gets trickier when applied to specific institutions. The thought that Poles or Ukrainians are enjoying freedom of speech is heart-warming. What is not so easy is to sign a treaty giving them the right to export cheap steel to western Europe, or to expect automatic military support in a war with Russia.

The US is all in favour of enlarging the European Union, except that it is not a candidate for membership. It is more ambivalent about enlarging Nato, which would require the US Congress to approve military guarantees to central and east European countries. As for the Western European Union, few people in the US have heard of it. But then, few Europeans have heard of it

WEU is a subject only for the cognoscenti, because until now its function as a military alliance has been subsumed in Nato. All full members of WEU are also members of Nato, which includes the US and has a military organisation to implement its guarantees. The ruestion of what WEU would do if one of its members were attacked has therefore been academic. The Nato guarantee

would be invoked first. But since the Maastricht treaty came into force a year ago, WEU has had another role the European Union. Any member of the EU has, on paper, the right to full membership of WEU. It is not specified that the country in question must also be a member of Nato. So far that has not mat-tered because Ireland, the only present EU member not in Nato, has contented itself with observer status in WEU. But in six weeks three more non-Nato members - Austria, Finland and Sweden – will join the EU. They too will settle for observer status in WEU in the first instance, but are likely to

Bigger and better?

> Nato should be enlarged in step with the EU and WEU

EU's security role in central Europe and the Baltics. If WEU becomes a "fourth pillar" of the EU in 1996, charged with implementing a common defence policy, some or all of these countries will want to be involved

That will be even more true of the central European countries in the next wave of EU enlargement, and of the Baltic states whose right to join that wave will be championed by Sweden and Finland. That means that, perhaps as soon as the end of this decade, west Europeans will be asked to guarantee the security of coun-

As the EU expands eastwards, its security dimension will become more important

tries that were formerly Warsaw Pact members; perhaps within the Soviet Union. It is no secret that these countries' interest in such guarantees arises from their experience of Soviet rule, and their fear that a Russian threat might reappear. In the case of the Baltics that fear is not far-fetched. Russian sensitivity about

enlargement Nato well-known. It was restated with vigour on Monday by Russian speakers at a Paris symposium on the proposed "stability pact" between the EU and its would-be members in central and east Europe, better known as the Balladur plan. The idea of the plan is to use

the central and east Europeans' eagerness for EU membership as a lever to get them to resolve their bilateral problems. That means recognising

each others' frontiers as permanent, and undertaking to treat national minorities properly - something they are all prepared to do on paper. though getting some of them to implement their commitments

may not be so easy. What is interesting is that the leverage appears to have worked in reverse. Edouard Balladur, the plan's author, declared in opening the symposium that "everyone can see this [EU] enlargement is for us an imperative". Not everyone would have seen that as an imperative of French policy before the plan was launched. Such statements make the prospect of eastward EU

enlargement much more real. At the same time Mr Balladur warned against being overhasty in enlarging "security institutions, such as Nato or WEU". The "brutal inclusion of new countries in these alliances," he suggested, "could provoke more instability than stability on our continent." Music to the Russians' ears.

Eventually, though, the problem will have to be faced. The further east the EU expands, the more important its security dimension will become. To the right to participate in common security arrangements will prove an untenable position; and it would be dangerously incoherent to have a European defence union with some members allied to the US and others not. If Nato is to retain any credibility, it should be enlarged in step with the EU and WEU.

One Russian speaker on Monday, Sergei Karaganov of Moscow's Europe Institute, seemed fairly relaxed about this prospect. He argued against expanding Nato now, on the grounds that an excluded Russia would cut off co-operation with the west and adopt a wrecking attitude to European security arrangements. But he was happy to let EU expansion take its course, even if it brought WEU and Nato expansion in its wake. Why? Because it will take time. By the time the terms and extent of EU enlargement are worked out, he implied, the struggie between westernisers and nationalists in Russia will have been decided one way or

the other. I wonder. That struggle has been going on for three centuries at least. Can we really expect it to be decided within the next five years?

he lowest inflation in a generation, rising exports and productivity, falling public borrowing - Mr Kenneth Clarke, the chancellor, must be feeling pleased at the UK economy's recent performance as he prepares his second Budget speech.

Despite all the good news however, there is a group that is being left behind; a hardcore of long-term unemployed individuals and families without earners. Falls in headline unemployment have not been accompanied by similar falls in either long-term unemployment or the number of families dependent on welfare.

"Unemployment," said Mr Clarke earlier this year, "must be the main pre-occupation of economic policymakers in the 1990s. We must look more closely at how those on the fringes of mainstream society can be brought back in ... ensuring that they do not get trapped in a web of dependency and exclusion."

With a tenth of the population dependent on state benefits. trade unions, employers pressure groups are arguing that Mr Clarke's priority of last year - improving public finances - would best be served this year if he intro-duced Budget reforms to bring greater numbers into work. As far as these groups are

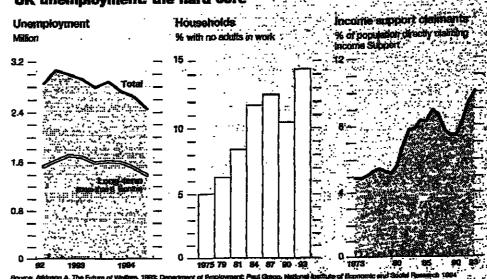
concerned, the challenge is clear. "Stable economic conditions may not be sufficient in themselves to tackle the structural problem of long-term unemployment," says Mr Howard Davies, director general of the Confederation of British Industry. He argues that the government should take the lead in creating more jobs for more families.

In 1993, nearly 15 per cent of non-pensioner households in the UK were without a working member, compared with less than 5 per cent in the 1970s. Officially, unemployment in the UK has fallen by 455,100 since its peak of nearly 3m at the end of 1992. But the number of people unemployed for over a year remains as high as it was two years ago, at a little under 1m, while the number out of work for over two years has risen sharply.

In fact these figures understate the problem because many of the long-term unemployed have been so discouraged, that they have left the workforce altogether. Researchers have found the main factor determining whether a man will be unemployed is not his education or previous job Welfare sent out to work

Stephanie Flanders on how the UK chancellor might use the Budget to encourage employment.

UK unemployment the hard core



but whether he was unem-

ployed the previous year.
"When someone has been out of work for over a year, the chances of him or her finding work within three months are currently less than 5 per cent," says Dr Madsen Pirie of the free-market Adam Smith Insti-

There are two main reasons why the long-term unemployed find it difficult to get work. Being "out of the loop", they are less likely to hear about openings, and lack of recent experience makes them unattractive to employers.

The second is being in the benefit system. The structure of benefits can make it unat tractive for a household member to be the only one to find a job, as benefits for the whole family will be withdrawn.

"Jobless men are generally accompanied by jobless women." says Dr Jonathan Wadsworth, an economist at the National Institute of Economic and Social Research in London. He says only 20 per cent of unemployed men live with a working partner. against 60 per cent of employed

Social security provision, by its nature, always implies a disincentive to work. When ployed, they qualify for support. The fact that benefits are withdrawn when they start earning means their new earnings are effectively taxed at a much higher rate than the rest.

of the population.
This problem has been exacerbated, in recent years, by changes in the kind of jobs available. Only 20 per cent of jobs filled by the unemployed are full-time, permanent positions. Half are part-time and many are low-paid. This means they have less chance of earning enough to take them beyond the high marginal tax rates on the first pounds

n the 1980s, reducing the relative value of benefits was expected to lessen the disincentive to work. But benefit cuts did little to stem the rise in the number of individuals and families dependent on benefits.

US-style "workfare" proposals raise the stakes further, by forcing people to "work off" their benefits after a set period. But these are highly controversial, and would imply large and costly public jobs programmes which a Conservative government might object to.

Many in both the Conserva-

that a better, and cheaper, approach to the problem is to give private employers more of an incentive to offer jobs to the long-term unemployed, and to update the benefits system so that they have more incentive

to take work. Dr Pirie argues that the government should give all people out of work for over a year a "green card" entitling them to two years' exemption from national insurance and income tax\_payments. In addition, cardholders' benefits would be phased out over the first two years of employment, rather than withdrawn immediately.

Such a scheme would create lobs as well as encourage employers to select the long-term unemployed over others, says Dr Pirie. "There are whole categories of work which are uneconomic at present, but which would become worthwhile if labour costs vere significantly lowered."

The cost in lost tax and NI contributions and continued benefits would be considerable. But so, too, are the costs of supporting the more or less permanently unemployed, says Dr Pirie.

Budgetary worries are still likely to deter Mr Clarke from entirely exempting the

and income tax. But he is said to be considering more modest tax changes along these lines. There might be an NI holfday" for the long-term jobless. and a lowering of the tax bur-den for all of the low-paid, through either an increased personal tax allowance or a

wider lowest income tax band Tax measures would encourage employers to take on work-ers, but, critics argue, Mr. Clarke needs to fackle the beaefits system as well, if he wishes to reduce disincentives

on the employee side. "It is simply wrong to say" that a lower-rate band of income tax, or lower NI contributions, help people escape very high marginal withdrawal: rates at the lower end of the income distribution," argues Mr Paul Johnson of the Inglitute for Piscal Studies. They are primarily a feature of the benefit system, not the tax sys

Some people, especially those without children, can still ears mough to move out of me tested benefits, believes Mr Johnson. But lone parents and many couples with children can be trapped on benefit ited job opportunities interact with the benefit system."

Family credit - introduced by the government in 1988 = was one response to the expenses of raising a family that made it hard to accept low-paid jobs without being made worse off. Another was the additional childcare credit introduced in last year's hadget. Both effectively restore lost benefits once people are working 16 hours a week, although after that the credit is withdrawn at a 70 per cent,

arginal rate. At least for the 60 per cent of eligible families who receive it. family credit has taken the welfare system a step towards fitting the new world of work to the new world of non-work. But more credits - to take account of housing expenses, perhaps, or give a specific incentive for a second member of the family to work - would further smooth the transition from welfare to work. Improving the take-up of family credit

would smooth it further. If this is the stuff of Mr Clarke's budget, he will not be able to declare an end to long-term unemployment. Every country in Europe is facing high structural unemployment. Budget changes alone will not eliminate the problem His challenge next week will be to find ways to stop the tax and benefit system from mak-

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## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

# Elderly should not have to worry about financial decisions

From Mr David Layton. Sir, It is suggested (Personal View: "Better deal for personal pensions", November 16) that in order to have dignity and independence in their old age, the elderly ought not to be required to buy annuities with their tax sheltered pension scheme moneys but to have continuing control over their

Surely recent experience of encouraging greater freedom for employees, on the advice of independent financial advisers, to frame their own future pensions as they choose should be warning enough,

We should be moving in the opposite direction. When we are elderly we do not wish to continue to take part in the financial decisions on which our welfare depends; in fact, we and our spouses are fre-quently not competent to do

so. Far better would be a col-lectivist approach whereby all pension money or entitlements, at least up to some substantial pension level, could easily be put into one pot on retirement - 70 at the latest.

Already, more and more of our pension money comes in bits and pieces, which can be very confusing. So a simple indexed monthly payment from a single source would be an enormous improvement. This would indeed be a valuable service, particularly to the very elderly and the very many who are ailing.

We do not retain our dignity by dithering over financial niceties or legal complexities. Only a financial adviser could believe that.

David Layton, Income Data Services, 193 St John Street, London ECIV 4LS

### |Well paid, well equipped and subject to market forces Struggling employees and

From Mr Gerry Hinde. Sir, British Gas boss Cedric Brown must be understandably flattered that his shareholders deem him worthy of nearly 2500,000 a year ("Air of mystery surrounds utility pay packages", November 22). One wonders how they would have valued him had he an understanding of the importance of public relations.

Gerry Hinde, 2 Ward Road, Southsea, Hants PO4 9PA

From Mr D Miller. Sir, The Cadbury Committee must be very pleased with itself: remuneration committees throughout the land have been unflinching in their quest to award executive directors

shareholders can sleep easily in their beds at night, in the knowledge that their executives are now better equipped than ever to deal with the harsh commercial problems facing their companies. D Miller. 16 Shipfield,

Norwich NR3 4DX

From Mr Roland Davis. Sir, Since the market rate for a chief executive of multina-tional calibre is £475,000, I hope British Gas will go to the market and find such a person. instead of retaining its present chief executive who, according to market forces, is worth only

# A dangerous vacuum

From Mr Bohdan Skrobach. Sir, Your editorial, "Ukrai-nian virtue" (November 18), states that the Ukrainian parliament made the world a safer place. But has it also made an

'independent" Ukraine safer? Ukraine cannot survive as an independent state without creating economic prosperity. Poland has understood this very well. But Poland also knows that economics does not guarantee security. This is why it is strongly seeking Nato | 23 Rowland Street, membership and integration | Toronto, Canada M6P 1M2

with western Europe. Ukraine begins an attempt at radical reform with no offer to become part of Nato. The possi-bility of becoming part of European Union is measured in

An independent Ukraine today exists in a vacuum.

Because of its size and location, this is a dangerous state to be in. Ukraine's history attests to this. Bohdan Skrobach,

#### £270,000. Roland Davis. the going rate for their job, however high it may be. Wayside House, High Street,

Lobbying taken seriously

From Mr Phil Kelly. Sir, Kevin Brown made a number of valuable points about lobbying the Labour party ("A word in Tony's ear",

November 18).

He is wrong, though, to suggest that Labour does not take lobbying companies seriously. We in the profession were pleased that Labour's head office organised two briefings for lobbyists, before and after this year's party conference. We had a fruitful dialogue about what our clients expected from and got out of the conference, and how they should be approaching the Labour party on policy matters

Clients do not always know | London SWIP IJU

where they should go to get their message across. Charles Clarke, a political insider, should be aware just how-closed and forbidding the world of politics looks to people who are very good at running their own companies and organisations but don't know an early day motion from an oral question.

Labour seems to appreciate that lobbyists help companies to sharpen their case and target it correctly. We help both clients and political parties to avoid a great deal of wasted time and effort. Phil Kelly, The Public Policy Unit.

50 Rochester Row,

#### Important support for small and medium-sized enterprises From Mr David R Grayson. research into their target margous to the account manager

Sir. As chairman of the independent Assessment Panel appointed by ministers to vet local applications to become a Business Link, I welcome your

editorial, "Small business management" (November 9). Independent market research was a key element in the rationale for supporting the establishment of a national network

of Business Links. All proposals for individual Business Links must be backed

ket companies, and they are required to undertake regular customer surveys which evaluate effectiveness of services provided.

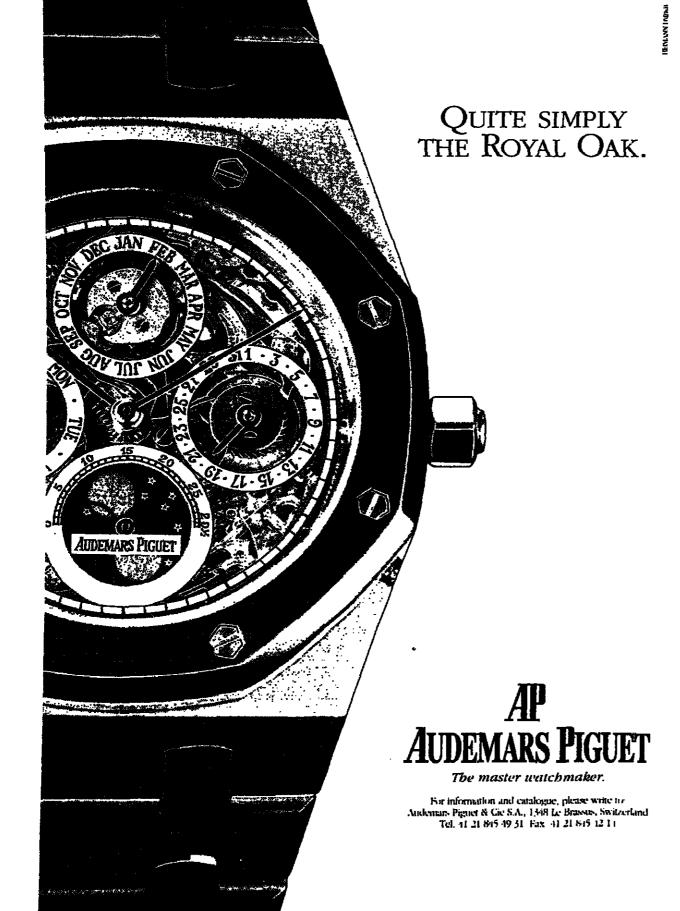
The target is that at least 85 per cent of Business Link cus-tomers should be satisfied or very satisfied with the services they use.

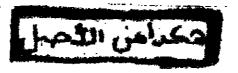
A key innovation of the Business Links is the personal business adviser who will develop a long-term relationship with a up by separate market portfolio of small firms, analo-

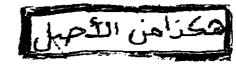
in an advertising agency. I believe that these personal business advisers are an important guard against your fear that Business Links may be keener to meet their targets ... than they are to evaluate the benefits their customers derive".

Your overall message is, however, well-taken, in an increasingly competitive and fast-changing global marketplace, we need up-to-date information on the most effective ways of supporting small and medium-sized enterprises. We could usefully start by ensuring government-funded research into the small and medium-sized enterprise sector is better focused to give the programme implications back to policymakers and business support agencies. David R Grayson,

chairman, national assessment name Business Links, 8 Stratton Street,







### **FINANCIAL TIMES**

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Wednesday November 23 1994

# TV with frontiers

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The European Commission complains it is often accused unjustly of unnecessary and intrusive meddling. However, proposals for EU audio-visual policy currently being drafted in Brussels appear designed to prove its critics right. They also raise questions about the commitment of the Commission – and notably of Mr Jacques Delors, its president - to putting EU interests above those of individual members

The proposals would modify the EU's five-year-old broadcasting directive, which calls on broadcasters to ensure that half their programming is of European origin. As well as toughening this rule by removing a provision that it be applied only "where practica-ble", the draft modifications would narrow the definition of programmes which could be counted as part of the quotas and require half of independently-produced programmes to be recent material. They would also set guidelines for investment in film channels and ban advertising on home shopping services.

By any measure, these changes would traduce the Commission's purpose in drafting the original directive. This was to harmonise national rules just enough to remove obstacles to cross-frontier broadcasting. The provision for quotas was inserted at the insistence of France, which threatened otherwise to oppose the idea.

How far the directive has promoted a single market in television is unknown. However, the outcome for Europe's media indusaim of the proposed revisions try and its customers.

seems clear: it is to to protect pro duction houses and broadcasters from non-European competition, notably from Hollywood.

The implied restrictions on free choice are intrinsically objectionable. By seeking to impose a straitjacket on a sector which is exploding under the impact of rapid technological change, the proposals also defy logic. At best they would be absurdly cumbersome to administer. At worst, they would lock Europe's entertainment industries into the structure of the past and deter innovation and commercial investment in

emerging multi-media services. Most damaging of all, the proposals would do nothing to advance the single market. On the contrary, they could further undermine it by legitimising con tinued protection of national industries. This seems to have been the effect of the existing directive in France, its keenest proponent. Local content quotas have been established by law and freely interpreted to favour French programming.

It is disturbing that much of the drive behind the proposed revisions is from some of Mr Delors closest advisers in Brussels. That inevitably raises doubts about how far they are intended to bene fit the EU, and how far to serve French national interests. Mr Delors' fellow commissioners would do well to remove any such suspicions by voting the proposals down. That would also be the best

# Opec dangers

As a tactic, it could work. The Organisation of Petroleum Exporting Countries yesterday took the unprecedented step of extending its production ceiling for a year in an attempt to coax oil prices upwards. The move, urged on the cartel by Saudi Arabia, its largest producer, shows that Opec retains much influence over the direction and stability of world oil prices, despite its internal struggles. But longer-term questions remain about Opec's own stability and, still more, about the global implications of the increasing dominance within it of Saudi Arabia.

Whether prices rise in the next six months, as Opec hopes, depends on whether world demand rises. Unfortunately for Opec, the weather in many northern countries has been warm so far. Nonetheless, it is important that growth in demand from non-OECD countries is now large enough to compensate for recessions in industrialised countries, in sharp contrast to the pattern in 1973 and 1982.

As a result, world demand for oil, which hovered between 55m and 65m barrels per day between 1973 and 1990, has broken out of that range to some 68m b/d this year. Moreover, Opec's share of the world's production, which is now about 25m b/d, may also creep upwards, since investment in production outside Opec is being restrained by the persis-

meeting. Opec may be able to

desire, at least if the cartel contin ues to operate against a background of steadily rising world demand. But the result will also be a growing concentration of power within Opec, since only Saudi Arabia and Iraq look capable of supplying much of the increase in demand.

The markets have been rathe more pre-occupied with the possibility that Iraq will, at some point, resume exporting oil, once it has complied with enough of the conditions imposed by the United Nations after the Gulf war. But its return would probably add only about 1m b/d to world production, a third of pre-war levels

The question about Iraq obscures the far greater importance of Saudi Arabia, which now accounts for a third of Opec production and a seventh of the whole world's. Provided that it has adequate resources to invest in more production, which should be feasible even in its current cash-strapped state, it is well placed to increase its share of Opec's production as world demand grows.

Saudi Arabia's ability to take on an increasingly important role in adjusting its output to demand should belo ensure a degree of price stability. That is certainly what the world wants for much the most important single commodity in world trade. The kingdom has hitherto shown both the willingness and the ability to protently low oil prices.

On the evidence of this week's willingness and the ability to provide what is needed. But the global economy is also becoming deliver the broadly predictable oil more highly exposed to the risk of prices oil importing countries Saudi political instability.

# Hope in Angola

Angola's ceasefire calls to mind Lesotho and Mozambique, where the axiom that second marriages it helped persuade Mr Afonso are a triumph of hope over experience. But this shotgun marriage could succeed. Much has changed since 1991, when President Eduardo dos Santos and Mr Jonas Savimbi, the Unita leader, agreed a ceasefire, only for it to collapse the following year. For the first time in three decades, southern Africa is within reach of a comprehensive peace, built on democratic governance, market economics and the aim of co-operative regional development.

Rlame for the collapse of the last peace pact, which followed Mr Savimbi's refusal to accept defeat in the 1992 elections, rests primarily on his shoulders. But the collapse might have been averted had the settlement provided explicitly for a government of national unity, and had the United Nations received more support for its role in monitoring the disengagement and subsequent creation of an integrated army. Instead, it was

inadequately resourced.

Both issues have been addressed at the Lusaka ceasefire talks. Unita has an assured role in gov-ernment, and the UN force will number 6,000-7,000 - 10 times the size of the 1991-92 contingent.

Among the most heartening elements has been the part played by African leaders, particularly of the "front line" states. Once preoccupied with the battle against white minority rule, the group is seeking to act as a facilitator of democracy and promoter of regional economic co-operation. Mediation in a whole.

Dhlakama to end his election boycott, has already brought results. If the frontline states can maintain pressure on Unita and urge restraint on the MPLA, the settle-

ment may yet succeed.

At the same time, the world's leading powers must help fund and man the UN initiative. They should also be prepared to help Angola's economic recovery. The country has lost more than lives since this futile conflict resumed. Since then, South Africa has not only captured the world's attention but probably drained much of the world's aid purse. Had Angola been able to appeal for international assistance in 1992, it would probably have received a better response than is likely today.

Fortunately, the country has substantial resources. At least half the oil export earnings went towards the government's war effort, while the diamond fields helped sustain Mr Savimbi. Oil production, currently more than 500,000 barrels per day, could exceed 700,000 barrels before the end of the decade. Given peace and good management, the country can also develop its hydroelectric potential and exploit its agricultural and marine

resources Nevertheless, Angola needs help. Generous international assistance is more than a worthy humanitarian cause. It would also relaunch a region whose success is central to recovery in Africa as Tony Walker and Kevin Done examine a market that western carmakers are eager to enter, in spite of the risks

# Chinese roads paved with gold

t was an invitation the world's carmakers could hardly refuse. When China's Ministry for Machinery Building asked for ideas for a "people's car" to be submitted in con-junction with a small-car exhibition in Beijing, most large international car manufacturers obliged.

As a representative of General Motors, which was displaying its Opel/Vauxhall Corsa among other models in Beijing, said: "When they say jump - people jump." China, which last year produced

234,000 cars from its own plants, currently has fewer than 2m cars in use. of which fewer than 5 per cent are privately owned. The ministry's "Strategic Development Research Team of China's Family Car" forecasts a steep rise to 22m by 2010. It predicts that by the year 2010, China will be producing 3.5m cars a year, two-thirds sold privately.

It is this prospect of an ever-widening circle of car owners in the world's most populous country that is proving such a magnet. China's urban population alone is 300m, which compares to continental Europe and exceeds that of the US.

Who can ignore an opportunity in a market that could be the world's largest in 20 years?" asked Mr Toshiaki Yasuda, Nissan's chief representative in China.

Under a new car industry policy unveiled earlier this year, China plans to raise production by 2000 to between 1m and 1.5m, based on output from "three or four" large conglomerates that will be developed over the next few years. This production would account for 90 per cent of demand from the Chinese market by 2000-2003.

The foreign participation being sought by the government will help to rationalise a motor industry that is highly fragmented.

"Consolidation is badly needed, if the sector is to benefit from economies of scale," according to a recent study by the Economist Intelligence Unit. "The government's blueprint is to accelerate the natural process of rationalisation in the industry over the next few years, in order to create a few large and strong producers.

China has set its sights on massproducing a "people's car" designed specifically for the Chinese market. The question for Beijing - no less than for foreign carmakers - is whether existing models that have m tried and tested would fit China's requirements best, or whether a completely new car is required.

At last week's motor show for small cars in Beijing, most of the world's leading producers displayed cars from their existing ranges: Ford showed its Fiesta, General Motors the Corsa, Nissan the Micra, Toyota the Tercel and PSA Peugeot Citroen the Citroen ZX, which s already being produced in

But it was the concept cars, specially designed for the Chinese market, that captured most attention (see below). These included Porsche's C88 prototype, a 1.1 litre five-seater that bogged the limelight, the Mercedes-Benz FCC (Familv Car China), and Mitsubishi's X-concept study derived from its Chariot/Space Wagon small multipurpose vehicle.

At stake is the right to build a low-cost, fuel-efficient car for the standard Chinese family, that could have sales running into the millions and would provide a solid platform for growth in a market with enormous growth potential.

It is the prospect of a rising number of car owners in the world's most populous nation that is proving

such a magnet

With market growth sluggish in Europe and North America, the world's leading carmakers are fighting to establish a presence in the world's emerging markets.

According to Mr Alex Trotman, chairman and chief executive of Ford, the world's second largest vehicle maker, about 80 per cent of the world's population live outside the traditional automotive markets of west Europe, North America and Japan, but the number of cars and trucks sold in these regions repre sents only about 8 per cent of the world's total.

The motor industry believes that the Asia/Pacific region holds the brightest prospects, with sales in Asia (excluding Japan) expected to triple during the next 15 Japanese carmakers already have

a stranglehold on most of Asia with as much as 90 per cent of car markets such as the Philippines, Indonesia and Thailand. In China, howoroducers have been held at bay, and it is the European industry that has taken the

early lead - its one success story in the region.

Volkswagen, Europe's largest car maker, was a pioneer among west-ern carmakers in entering China, having signed its first joint venture in 1984. It claims that by 2000 it will have a capacity to produce 660,000 cars and 830,000 engines a year 300,000 cars a year at Shanghai Volkswagen and 360,000 a year at FAW-Volkswagen, its joint venture with First Automobile Works in north-east China.

VW claims that it has made "huge strides" in developing the supplier industry in China. Local content at the Shanghai plant now exceeds 80 per cent, and it estimates that about 40 joint venture contracts and approximately 100 production and knowhow licences have been agreed between foreign - pre dominantly German – suppliers and local Chinese partners. An additional 30 joint ventures are under negotiation.

"With our commitments in China we are pursuing a strategic objective of capturing a long-term leading market position in the region,' said Mr Martin Posth, VW director for Asia/Pacific. "China is envisaged as the main production site with smaller satellite operations elsewhere in Asia."

Ford is setting up a series of components joint ventures in China in the hope that this will open the way for it to begin assembling vehicles in the near future. "We are eager to establish vehicle assembly projects in China at the earliest opportunity," said Mr Frank Macher, Ford vice-president and general manager of its automotive components divi-

Chinese officials responsible for deciding which foreign manufacturer will build the family car expect a decision by 1996, but are not committing themselves as to whether one or more carmakers will be chosen. Mr Zhang Xiaoyu, director of the Department of Automotive Industry in the Ministry of Machinery Building, said that China would be guided in its decisions by which of the companies provided the best terms for

Mr Zhang said one issue that would influence the Chinese decision would be whether the applicants' proposals complied with automotive policy, including technology transfer and the development of the local compo try.

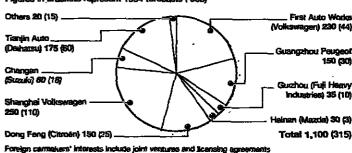
Foreign car producers say that

China's automobile industry: shifting up a gear



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	1990	1991	1992	1994*	1996*	1998*	2000*
Reporth in registrations (%)	21.2	98.7	32.8	8.6	19.8	15.9	11.1
lars in use ('000)	1,150	1,225	1,500	1,850	2,500	3,400	4,450
Arrywith of cars in use (%)	.8,5	. 65	22.4	10.4	17.6	15.3	12,7
cars in use per 100 of population	0.10	0.11	0.13	0.15	0.20	0.27	0.34
roduction (1000)	38	67	147	315	575	825	1,198
						_	

Car production and assembly by manufacturer - 2000 Figures in brackets represent 1994 (orecasts (1000)



1,200 1,500 1,100 1.280 1,160 1,200 1,275

even if a decision is made on the family car proposal by 1996, production would not start before 1998-99 at the earliest. This timetable suggests that China will have difficulty meeting its production target of at east 1m cars by 2000.

The prospect of participating in the birth of a Chinese small car has appeared too daunting for some companies in the world motor industry. BMW, for example, considered participation through Rover, the UK carmaker it acquired early this year, but held back.

We have investigated it but we think one would lose a lot of money," said Mr Bernd Pischetsrieder, chairman of the BMW man-agement board. Whoever does this people's car project will not be successful financially."

Mr Posth of VW acknowledges that two contradictory arguments confront all industrial investors. The first says: "You will certainly lose at the start, if not in the long run as well. The init last much longer than you ever thought it would.

"It will take far longer than you ever imagined to learn the rules in China. You will be constantly hindered by your Chinese partner from doing the right thing - they profess to know everything better, even though they had invited you because of your technical superiority and managerial knowhow ... And where are those billions of consumers?"

On the other hand, said Mr Posth, "by not being in China, you are perhaps missing out on the chance of a lifetime. If your competitors are investing in China and exporting from there, they will be able to beat you wherever they like anywhere in the world.

"It may or may not be the end of the Deng Xiaoping era ... but then where can you invest without incurring some sort of risk? And don't forget what people said in the 1950s about getting involved in The stampede by the world's car-

gests that few are prepared to be

# Designers stress their proletarian credentials

usic blared, pretty girls provided decora-tion, and the covering was slowly removed from a vehicle on an elevated stage. Porsche was unveiling its prototype of the family car its designers hope will capture the hearts of Chinese bureaucrats and consumers, writes

Tony Walker. The German sports carmaker could not be accused of under-selling its wares in the competition to participate in China's "people's car" project. It has developed the prototype C88 (Concept 88 car) especially for the Chinese market, with styling that embraces such features as headlights with oriental

characteristics. Porsche - which makes fewer

Venomous

commentary

■ Oh dear. Looks like someone

may have been drinking something

a little stronger than tap water at last week's National Water Day

conference in Paris. Whatever the

The daily paper Libération had

Monod, the company's chairman, on his company's efforts to win a

contract for reconstruction in the

Gaza Strip from Yassir Arafat.

"I waited 15 hours, then was

driven at 150km an hour through

the streets of Tunis to be brought

before a sick and drugged man who

took me in his arms and kissed me on the mouth," Monod is reported

or the executive's tongue that slipped, Arafat did not find it very

funny. Gabriel Banon, his economic

adviser, told Agence France Presse

negotiated with French companies

would be cancelled as a result of the

FFr30m with a Lyonnaise des Eaux

vesterday that six contracts

comments, including one for

Monod was clearly also not

amused. His company issued a

statement last night saying the

not reflect the nature of his

report of his comments was "taken

out of context", "erroneous" and did

Whether it was the reporter's pen

tipple, Lyonnaise des Eaux, the

French conglomerate, seems to

been cross-examining Jérôme

feeling a bit off-colour.

to have said.

than 20,000 cars a year - was very much the outsider among the world's car giants exhibiting at last week's small-car show in Beijing. The company wants to supply basic design and engineering assistance to a Chinese manufacturer in return for a fee or royalty on models produced. Its representatives emphasised that Ferdinand Porsche designed and built the first Volkswagen in the mid-1930s - Germany's "people's car" and the prototype for 21m "Beetles".

Also trying to persuade the Chinese of the importance of a long track record was Ford Motor Company. It invoked Henry's name and that of the Model-T - the world's first mass-produced vehicle. "All great endeavours begin with

meeting in Tunis.

of my eyes."

Spot on

we have more than 14 water

concessions, I had to drink the

president, C.P. DeVile, is the

friends might not think so.

distress pets can suffer in

compared with the welfare

Pet-owners bereft of their furry

Christopher Paul DeVile, giving

quarantine kennels was nothing

consequences of an outbreak of

into the committee's call for an

immediate lifting of quarantine

Pearls of wisdom

that there had indeed been an

inexplicable delay in the

■ Must try harder. Japan has just

eleased documents which show

transmission of the declaration of

war on the US before the bombing

of Pearl Harbour in December 1941.

Yesterday the Foreign Ministry

restrictions.

evidence to the House of Commons

agriculture committee, said that the

rabies in Britain. Predictably, DeVile sank his teeth

a vision," said Mr Wayne Booker, Ford's executive vice-president for international operations. "Ninetyone years ago, Henry Ford had a vision of providing the greatest good for the greatest number of people...From that beginning Ford has adhered to the vision of serving working people."

It was not clear whether this appeal to the proletarian instincts of Chinese officialdom made much impact. But the announcement by Mercedes-Benz that it was prepared to invest up to DM2bn (£800m) in a new plant producing 250,000 FCC (Family Car China) concept cars a year would have been welcome. Mercedes-Benz's squat, snub-

nosed prototype was not the most elegant vehicle on display. But it

attracted attention from both Chinese consumers and international competitors, who were curious about the German luxury car producer's ideas of what might sell in a mass market Mercedes-Benz executives were

proud of the FCC's innovative design, which incorporates alternative propulsion options, such as electric or hydrogen drive. They also claimed outstanding fuel efficiency, with the 1.3 litre petrol engine capable of 800km on a single tank.

Participants in the show admired the Chinese for enticing the world's top carmakers to Beijing. But there was a bint of exasperation that, because of the huge potential of the China market, the Chinese clearly had the "upper hand", as one Japanese representative said. "They are very good merchants,"

he said. "They are taking full advantage of the situation to let us know they are the masters, and that they are calling the shots.' Chinese visitors to the exhibition were mostly "window-shoppers".

Economic reforms are bringing the possibility of purchasing cars within range of many Chinese, but the price tag on a "people's car" at this stage would be beyond the means of most.
"You have to be rich to buy a

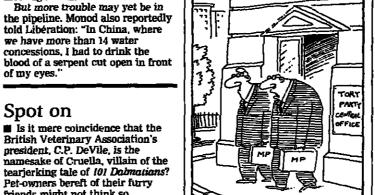
car." said Miss Shen, who was viewing the Mercedes prototype. "I'm dreaming of owning a car, but I'll have to wait...till next cen-tury, perhaps."

Frank, described as low-keyed

and modest, certainly has the

personally to him.

# **OBSERVER**



'I'm right behind Tony Blair'

BANA

acknowledged that the delay in the delivery of the declaration to the US government was due to mishandling on the part of . . . the Foreign Ministry. It added that it "accepts this as an unforgettable lesson which should not be repeated again, and has been trying to improve its working system".

Fifty-three years after the event, and it is still not fixed?

Bright sparkle

■ Nice touch. Harry Oppenheimer, the elder statesman of South African business, has handed in his notice and plans to retire as a director of world diamond giant De

Beers on December 27 - the diamond anniversary of his joining the board - in 1934.

Oppenheimer, 86, succeeded his father, Ernest, as chairman of De Beers Consolidated Mines Ltd in 1957 and held the chair until a decade ago. Oppenheimer said yesterday that he realised that many people will think – and not without reason ~ that I became a director when I was far too young and continued as a director until I was far too old". Maybe so. But it will be a long time before South Africa produces another industrial leader to match his contribution.

### Worldly move

■ Lewis Preston is wasting little time filling the large shoes of Ernie Stern, who announced last Friday that he was leaving the World Bank vice-presidency for J.P. Morgan. The hot tip in Washington is that his successor will be Richard Frank, another American and currently vice-president at the International Finance Corporation, generally known as the bank's private sector,

hard money sister. The Preston logic, which has the full support of the US administration, is that the bank is going to have to be ever more inventive in raising capital, especially now that Senator Jesse Helms is threatening to take the axe to anything smelling of foreign assistance and "world governments" unaccountable

credentials. An old World Bank hand who moved to the IFC in the 1980s when Sir William Ryrie ran it, his principal responsibility has been raising funds through innovative syndicated and co-financing schemes. Though not a novice in the capital markets, the bank, according to its critics, and the countries which it helps, could use more imaginative approaches in the capital markets as official money becomes in shorter supply. He will also be seen very much as Preston's man, which could never entirely be said of Stern - the organisation's institutional memory and the man not even World Bank

### Never knowingly

presidents could circumvent with

impunity. An announcement is

expected within days when the

bank board next meets

■ Dash, there goes another clever marketing glmmick. Sir Bryan Carsberg, Office of Fair Trading supremo, has just ticked off Connell Residential, Scottish Widows's chain of estate agents in southern England, for erecting "SOLD" signs outside houses which had not been sold and indeed were not for sale. Sir Bryan said that he was

concerned that the boards might mislead consumers. That seems to be one of the OFT's understatements of the year.



# FINANCIAL TIMES

Wednesday November 23 1994



Group agrees to extend production ceiling for a full year

# Opec moves to boost oil prices

By Robert Corzine and nuela Saragosa in Bali

The Organisation of Petroleum Exporting Countries yesterday took the unprecedented step of extending its present production ceiling for a full year in a bid to boost weak oil prices.

Saudi Arabia, Opec's largest producer, overcame objections from Kuwait, Libya and Gabon to persuade oil ministers to maintain the 24.52m barrel a day ceiling "without reservation" for the

whole of 1995. That means there will be no formal commitment to review the ceiling at Opec's next meeting in Vienna in June 1995. But Iran, Opec's most persis-

tent price hawk, said it would seek a lower ceiling if prices failed to rise by June.

minister, was optimistic that the plan would work. "If you balance supply and demand, ultimately you get higher prices," he said. Mr Gholemreza Agazadeh, Iran's oil minister, said he would also demand a review if the pro-

basket price, an index of seven

international crude oils, above

The price of the benchmark Brent blend (January) closed

unchanged yesterday at \$16.95 in spite of news of the agree-But there were sharply differduction freeze pushed the Opec ing opinions as to how high prices might go. Some observers

believe an Opec production freeze

at a time of rising oil demand

will push prices above \$25 a bar-

rel towards the end of 1995, as

long as United Nations sanctions.

which prevent fraq from export-

Others are more cautious. Mr

Joe Stanislaw of Paris-based

Cambridge Energy Research

Associates said it was "not a vic-

tory for price hawks". The agree-

ing oil, remain in place.

..Page 21 Editorial Comment and Observer

the organisation's target of \$21 a barrel. In October the basket price averaged \$15.36. But a Gulf Arab delegate later said that "any changes would take place only as a result of spe-

cial circumstances". Analysts and oil company executives believe vesterday's move will be a positive factor for oil to the average price of the Opec hasket in 1995, he said.

Gulf Arab officials were also cautious. The "price improve-ment could take time", one said. He predicted that the bulk of any urice increases might not be evident until the fourth quarter of 1995. The official also thought it unlikely that prices in 1995 would rise above \$23-\$25 a barrel.

The cautious view was echoed by an Iranian delegate. He said: "It depends on [world] economic growth and how strongly that growth translates into oil consumption. And will any growth in demand go to non-Opec producers?'

Most of the growth in world oil demand in the past year has been satisfied by a surge in production by non-Opec countries, most notably the UK and Norway.

### THE LEX COLUMN

# Italian drama

European bourses performed poorly yesterday, but none worse than Milan. Equities dropped 2.8 per cent, the 10year benchmark bond fell nearly a point and the lira plunged to a record low against the D-Mark. That seems odd. After all, corruption allegations against Mr Silvio Berlusconi, Italy's prime minister, were hardly new.

What upset the markets was the timing of the announcement that he was being investigated. The announcement came on the very eve of the 1995 budget debate and its controversial proposals for spending cuts and tax increases. Without a majority, the government was always going to have a hard time pushing through the bud-get. But the investigation has weakened Mr Berlusconi's political position further and may force him to accept compromises. It was fears of such back-peddling - with all the adverse implications for government funding that undermined the lira and bonds. Shares fell on concerns that interest rates would have to be raised to sup-

Hopes that a conservative Berlusconi government would be good for equities have been dashed. That is in spite of an economy expanding at an expected 2.2 per cent this year, an inflation rate running at just 3.7 per cent, and a rapid recovery in corporate earnings. The Comit index is up just 1.7 per cent since January. Budget incertainty looks set to continue until the end of December, and political fractiousness is unlikely to diminish thereafter. Under the circumstances, prospects appear less than promising.

#### Vodafone

Heady growth in the UK mobile market is finally exacting a price from Vodafone. In the dash to sign on record numbers of customers in the six months to end-September, administrative procedures became overstretched with the result that fraud and bad debts shot up. The sums involved - roughly one per cent of turnover - are not huge. But the episode rams home the point that the quality of Vodafone's customer base is deteriorating as the market expands. This is also seen in the sharp increase in the company's annual "churn" rate the proportion of customers who leave the network - from 21.5 per cent to 26.5 per cent. Churn will now fall as procedures for signing up new customers are tightened but, in return, Voda-

fone will have to sacrifice some mar-

ket share. In future, much of group

FT-SE Index: 3078.7 (-42.3)

growth will come from investment in overseas operations. But, as yesterday's Ptas9bn bid by Vodafone's con-sortium for a Spanish cellular licence shows, such expansion will not come cheap. Meanwhile, the UK business remains vulnerable in the medium term to price cutting. So far, Vodafone has managed to maintain prices despite the arrival of new entrants offering large discounts. But once the new networks achieve nationwide coverage. Vodafone will be under pressure to match their offers. Even if a value of £1bn is put on the group's international operations and its overseas losses are stripped out, Vodafone's shares still trade at a healthy premium to market. That looks unjus-

#### Thorn EMI

Yesterday's 2 per cent drop in Thorn KMT's share price yesterday was an exaggerated response to a solid set of interim figures. There were some modest disappointments - for example continuing problems at Rumbelows and evidence of intensifying competi-tion in the US rentals market – but these were slight in the context of the robust 15 per cent growth in core operating profits and the 8.3 per cent se in the interim dividend.

The higher than expected payout is an expression of the group's confidence in the future. Investors should share this. The management will soon be able to take the strategic tidying-up exercise a stage further with Thorn EMI's expected withdrawal from its defence interests. Meanwhile the margin enhancement targets it has set for both music and rentals seem achiev-

able. Even if return on sales in the music division did not improve in the first half, the full-year figures should show progress towards the mediumterm aim of 16 per cent. As for rentals, the improvement in margins in the first six months was impressive given difficult market conditions.

Scania vab Scania

Assuming pre-tax profits of more than £400m for the full year, the shares are on a deserved, if not generous, premium to the market. The near 5 per cent prospective yield provides support. But sustained outperform ance is likely only when and if the management revives the demerger plans, now shelved, which so delighted the market earlier this year.

Union Bank of Switzerland's board is still on probation. The narrowness of its proxy battle victory suggests that arguments put forward by Mr Martin Ebner, UBS's largest share-holder, struck a chord with some other investors. Mr Ebner may not have produced a compelling blueprint for how the bank should be run. But he was right to prod it to improve its returns. Now that the distinction between registered and hearer shares is to be abolished, the effective premium enjoyed by the former should shrink - unless Mr Ehner's legal chal-lenge proves successful, that is. The bearer shares may also tumble. By most yardsticks, UBS is expensive relative to other Swiss and European banks. Unless the board is provoked by the narrowness of its victory to sweat its capital harder, the premium rating will be unjustified.

#### Cookson/JM

Merger talks between Cookson and Johnson Matthey may have broken down because the two sides could not agree on valuation. But the failure would seem to confirm that there was little industrial logic in a combination. Had there been, it would have been easier for one or other to give a little ground on valuation. Instead, talks became bogged down as each side fought for slightly greater shares of the merged company than implied by their respective market capitalisations. The main driving forces behind the merger talks were the ambitions of Mr Richard Oster, Cookson's chief executive, and Mr David Davies, JM's chairman, to run larger companies. Just because this deal has failed, those ambitions are unlikely to have faded.

12 °

# Debt fears deter investment

By Tony Walker in Beijing

China's rash of troubles with western creditors over unpaid debts is casting a pall over plans for heavy foreign investment in Chinese infrastructure, particularly in the power sector.

Western bankers also report signs of nervousness in international debt markets over China exposure, while loan syndications for state-owned companies are meeting resistance,

Mr Paul Schulte, China analyst at CS First Boston in Hong Kong. yesterday described the debt repayment issue as "critical" to perceptions of China as a safe destination for equity investment. "Everyone wants to do business with China," he said "but from a macroeconomic point of view the central authorities must be seen to be managing debt prudently."

International power companies have held difficult discussions with the Chinese authorities over returns on billions of dollars of

proposed equity investment. Beijing's attempt to "cap" rates of return at 12 to 15 per cent did not please nervous investors worried about repayment risks. But the Chinese now appear prepared to tolerate higher returns commensurate with the risks involved, although they have not yet indicated this publicly.

Recent reports of Chinese institutions failing to honour commitments included an announcement by Lehman Brothers, the US investment bank, that it was suing several big Chinese state companies for alleged non-pay-ment of debts arising from foreign exchange trading.

Foreign banks, including 24 Japanese institutions, last month petitioned Mr Zhu Rongji, senior

vice-premier in charge of the economy, for the recovery of \$600m in loans that had gone sour mostly from leasing deals. European banks are also among those pressing the Chinese authorities over the non-payment of debts by state enterprises from leasing arrangements that date

back to the early 1980s. China's foreign debt reached \$83.5bn at the end of 1993. It is expected to rise to \$100bn this

The Chinese agency responsi-ble for monitoring foreign debt has urged restraint among borrowers. An official of the state administration of foreign exchange control under the People's Bank recently said foreign debt had "expanded a bit too

The Beijing representative of a large European bank said it was "getting harder" for China to borrow. There had been a "knock-on effect" from recent publicity, and he was advising clients to tighten up in their dealings with China.
"If a corporate client asked whether to do business with China on a collection basis or by way of a letter of credit, I would advise a letter of credit." he said.

China's reputation for meeting its commitments has not been helped by a dispute between China International Trust and Investment Corporation (Citic) and the London Metals Exchange involving an alleged default over payments of \$30m to \$50m lost in

Citic initially said the losses resulted from unauthorised trading by its Shanghai branch, but subsequently put the matter in the hands of Price Waterhouse, the international accountant.

China's family car, Page 21

## Berlusconi faces bribery questions

Continued from Page 1

responsibility for giving the orders and was briefly arrested during the summer in an earlier phase of the same investigation.

The prime minister said yester day that the Fininvest managers already interrogated were victims of extortion, a line similar to that adopted by many Italian entrepreneurs caught up in the inquiry into systematic bribery of

tax police. Speculation about the imminent investigation of the prime minister, either by Milan or Palermo magistrates, has swept financial markets recently fuelled by comments last month by the head of the Milan magistrates that the inquiries were reaching "high political lev-

# Broadcasting quota plans open divisions in Brussels

By Emma Tucker in Brussels

Proposals to tighten European broadcasting quotas and separately to ban advertising on new electronic information services are threatening to divide the European Commission.

The outgoing audiovisual commissioner, Mr Joao de Deus Pinheiro, believed to have strong backing from Mr Jacques Delors, Commission president, will next week present plans to force European television channels to stick to European-made documentaries, cartoons and drama programmes at least half of the time. Further, in a move that industry says will threaten the development of interactive consumer services in Europe, Mr Pinheiro is proposing to extend the scope

of existing broadcasting rules to

ban advertising on screen-based services such as "tele-shopping".

Mr Pinheiro's proposals tected from Hollywood. Some amount to revision of the EU's 1989 Television without Frontiers directive which sets time limits on advertising. The new effort is an attempt to protect existing advertising revenues of national radio and television broadcasters. Opponents of the plans the Commission and industry say the

moves send a bad political mes-

sage to the rest of the world, and

make Brussels look confused

about the information society. One official said yesterday: "On the one hand it is saying it wants to liberalise the communications sector as much as possible, and on the other it is cutting off the possibilities for these new services to come on stream."

Much of the momentum behind Mr Pinheiro's changes comes from those within the Commission who believe European culture and language need to be pro-

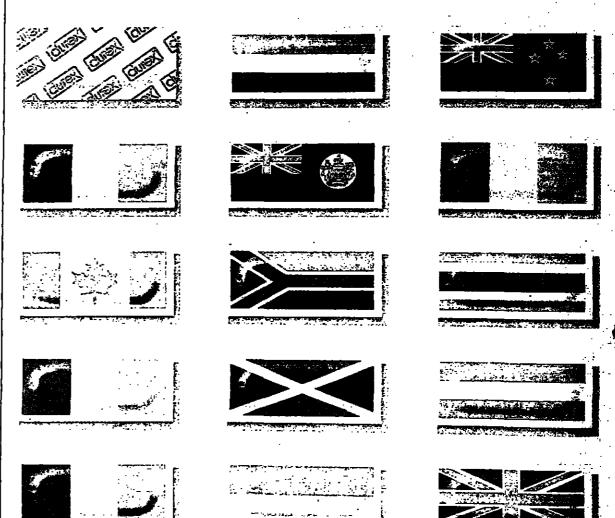
FT WEATHER GUIDE

observers believe Mr Delors may be trying to use more protectionist media laws to boost a bid for the French presidency next year.

"Mr Delors wants to get this through because it will enhance his status in France," said an industry source yesterday. "The move is highly political and it is being led by the Delors cabinet." The 1989 directive already requires EU channels to reserve at least 50 per cent of their out

put for European-made programmes, "where practicable". This loophole has allowed some channels to ignore the quota. More worrying for industry however, is the extension of the directive's scope to cover new services, a move which will pre-

vent tele-shopping channels from carrying advertising. Editorial Comment, Page 21



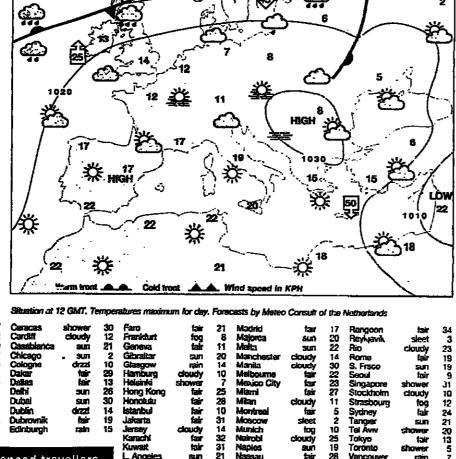
#### **Europe today** High pressure will continue to dominate.

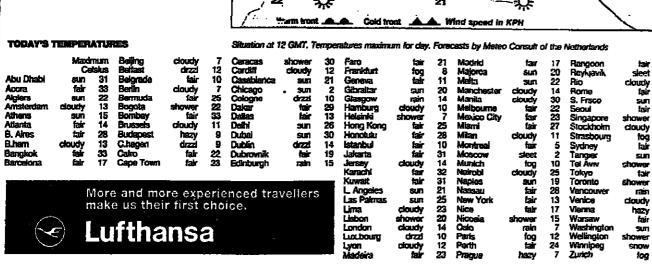
Much of north-west Europe will be cloudy and hazy. Light rain or drizzle may be frequent, especially over the Benelux, Germany and France. Meanwhile, a series of frontal systems will sweep towards Scandinavia, giving Norway a lot of rain along the south-west coast. A strong southwesterly flow will send mild air into Sweden and Finland. The eastern Mediterranean will be unsettled. Eastern Turkey will have rain and Israel will have frequent thunder

### Five-day forecast

Colder air will arrive in eastern Europe towards the weekend, renewing unsettled conditions over Greece and Turkey. Meanwhile, high pressure systems will continue to influence western parts of the continent and temperatures will change little with rain will move east over the British Isles, the North Sea and southern Scandinavia.

Lufthansa





### WE HAVE THE BRAND LEADERS

Now we're restructured and refinanced, we can focus on what we do best - condoms and surgical gloves.

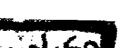
With 22% of the world's branded condom market, we're No.1. Our Regent Biogel surgical gloves are recognised as amongst the finest there are and global markets for these products are growing.

Our technical expertise combined with over 70 years experience will help us stay ahead of the competition.

Our new management team is committed to maintaining this quality leadership and to realising the value of these core brands. We are confident that the progress being made will provide long term growth for the group.

### London International Group pic Innovators in Thin Film Barrier Technology

35 New Bridge Street, London EC4V 6BJ





# **FINANCIAL TIMES COMPANIES & MARKETS**

Wednesday November 23 1994



Your Swedish Telecom Partner UK Tel: 071 418 0306, UK Fax: 071 416 0305.

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### Investor lifted by Saab-Scania unit

Investor, the central holding company of Sweden's powerful Wallenberg empire, saw pre-tax profits surge in the first nine months, after a strong performance from Saab-Scania, its wholly-owned vehicle and aerospace unit. Page 24

La Corporación revamps zinc unit La Corporación Banesto, the Spanish industrial group, is planning to recapitalise Asturiana de Zinc, the world's fourth-largest producer of zinc metal.

Scrutiny of Microsoft extended
The US Justice Department anti-trust division has extended its review of Microsoft's \$1.5bn acquisition of Intuit, a leading publisher of personal finance

software, potentially delaying the deal. Page 27 Price cuts hurt NTT NTT, Japan's largest telecommunications company, suffered a 66 per cent fall in nonconsolidated recurring profits, largely because of price cuts in the

long distance call market. Page 26 Trygg-Hansa wants to leave Home alone Trygg-Hansa, the Swedish insurer, would like to be rid of Home Holdings, its loss-making US associate. Home's share price more than halved between November 4 and November 17 and last week its senior debt was downgraded by Moody's. Page 27

LCH points to derivatives growth Growth of exchange-traded derivatives products in London is set to exceed last year's total by nearly 50 per cent, according to figures released yesterday by the London Clearing House. Page 28

Commodities have seen huge price increases this year but a senior World Bank economist has dismissed the idea that they could be a long-term investment on a par with equities. Page 32

Abbey National's margins widen A widening of margins in its retail banking business during the third quarter of this year was reported by Abbey National, the UK home loans and banking group. Page 29

Music and rentals help Thorn EMI up 27% Strong performances by its main music and rentals divisions helped the UK group, Thorn EMI, to lift interim pre-tax profits by 27 per cent. Page 29

Northern Foods declines 16% Northern Foods warned that plant closures and job losses would force it to take a restructuring charge in the second-half as it reported a 26 per cent drop in interim pre-tax profits. Page 30

26 NSM

North American Gas

Pilkington Pilkington's Tiles Porvair

Readicut Reynolds Metal

Saab-Scania

Santa Fe

Queensborough Hidgs RJB Mining

Scandinavian Tobacco

Skmon Engineering

Tadpole Technology Tarmac TeleWest

Sterling Industries

TDK TDS Circuits

Tex Holdings Thomson-CSF Thom EMI

Tital Wheel Int Tohoku Electric

Tokyo Electric

Trygg-Hensa UAP

Union Pacific

Vodafone Walt Disney Wesfarmers

United Breweries VSEL

Managed funds service Money markets New Inti bond issues

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Abbey National

Companies in this issue

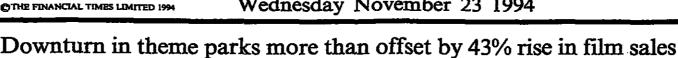
31 Osaka Gas 31 Pacific BBA CML Microsystem Carl-Zelss Cathey Internetion Chubu Electric Flogas GEC GPA

intuit Investor John Brown Kansai Electric Kewill Systems Lowndes Lamber McDonald's McLeod Pussel

Market Statistics

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Chief price changes yesterday



Films lift Disney to record

The success of Walt Disney's animated features, especially The Lion King, more than offset a downturn in theme parks to produce record fourth-quarter earnings of \$226m, against a loss of \$78m. Group operating profits, before losses in Euro Disney, were up 23 per cent at \$439m.

For the first time in more than a decade, films made more profit in the full year than theme parks (excluding Euro Disney), at \$856m versus \$684m.

According to Disney, The Lion King is now established as its most successful feature ever, and is on track to be one of the five most successful films in history. In the final quarter, operating income from films almost doubled to \$189m on sales up 43 per cent to \$1.26bn.

The executive most credited with this result, Mr Jeffrey Katzenberg, made a highly public departure from Disney at the end of the financial year. His job as chalrman of Walt Disney Studios has been divided among other Disney executives following a reorganisation.

Operating profits from theme parks (excluding Euro Disney) fell 18 per cent to \$155m on sales 2 per cent higher. International tourist traffic was lower, the company said, and costs had been written off for the proposed Civil War theme park in Virginia, which Disney was forced to abandon in the face of widespread



was still contemplating a new theme park in Florida, but had yet to decide whether to go ahead or what the theme might be. Profits from the consumer divi-

sion, covering the merchandise of characters and books from the films, rose 33 per cent to \$95m on sales up 36 per cent at \$490m. This was also due chiefly to the success of The Lion King, Disney

ing profits from films rose 38 per cent on sales up 30 per cent to \$4.8hn. Disney said the year had also been helped by the animated features Aladdin and The Return of Jafar, as well as by strong video sales of older features such as The Jungle Book and Bambi.

The share of losses in Euro Disney fell to \$58m, from \$415m, for the quarter and \$110m (\$515m) said. for the year. Earnings per share For the year as a whole, operat- for the quarter were 42 cents, against a loss of 15 cents, and for the full year were \$2.04, against 55 cents.

Full-year net income was \$1.1bn compared with \$300m. Disney spent \$920m on repurchasing 23m of its shares since May, with \$512m of that coming in the final quarter. The board has now authorised the repurchase of a further 90m shares, on top of the 14m still authorised under the existing programme.

# **BBV** group leads in Spain's telecoms battle

Cometa-SRM. a consortium led by Banco Bilbeo Vizcava (BBV) and by Vodafone, the UK telecommunications operator, has snatched the lead in a hattle to obtain a GSM mobile service licence in Spain with a cash bid of Pta89bn (\$688m). The rival group Airtel-ASR, which has the US telecoms company AirTouch as its main foreign partner, bid

The two cash offers were well above the minimum Pta50bn established by rules of the tender and they were close enough to each other to keep the final result of the contest, which will be announced before the end of the year, still open.

The competing consortia are required to make undertakings covering industrial investment, job creation and research and development, in addition to the

The full details of the bids, which were delivered yesterday, will be examined under six broad headings and they will be awarded points under a adjudication system drawn up by the government and by its advisers, Lehman Brothers, the US bank.

The prize is a licence, as a second operator, to break into a

Pta210bn and 2m subscribers by 1998. The other CSM licence ha been reserved for Telefónica, the government-controlled group which, as a result of the tender now faces the first significant incursion into its domestic tele communications monopoly.

BBV, a big Spanish retail bank has a 30 per cent stake in Come-ta-SRM and Vodafone has 23 per cent. Both companies sharply increased their initial stakes in the consortium after some of the bidding group's original share-holders withdrew at the last moment fearing the high level of investment that was involved. DeTeMobil, a unit of Deutsche Bundespost Telekom, has 10 per

cent of Cometa-SRM's equity and smaller shareholdings in the consortium are held by the domestic utilities Endesa, Sevillana and Iberdrola and by La Caixa, the Barcelona-based savings bank.

AirTouch has 16 per cent of the

rival Airtel-ASR group and British Telecommunications, the second technological backer in the consortium, has a 7 per cent stake. The main financial partners in Airtel-ASR are the domestic banks Banco Santander and Banco Central Hispano, which share 27 per cent of the consortium's equity, and five regional savings banks which jointly own mobile telephony market that is a stake of 16.7 per cent. forecast to have a turnover of Vodafone results, Page 24

# Finance terms stump merger of |Strong demand for TeleWest Johnson Matthey and Cookson places £1.8bn value on group

By Kenneth Gooding, Mining Correspondent

Johnson Matthey, the precious metals group, and Cookson, the specialist industrialist materials concern, called off their merger last night saying they had been unable to agree financial terms. If successful the deal would have en the largest agreed merger in UK corporate history.

The merged companies would have had a market value of about £2.5bn (\$4.1bn) and become part of the FT-SE 100 Index. One banker involved in the discussions said: "Both com-panies had a clear idea of their own worth and the gap between them was simply too wide. When it was obvious no deal could be done, we all went out for a friendly drink."

Following the surprise news, Johnson Matthey shares fell by 9p to 565p – the price they held before the companies confirmed negotiations were being held. Cookson's shares ended 2p up at 247p, from 251p before talks A joint statement stressed that

lent". Johnson Matthey and

Cookson have a new joint ven-

ture. Cookson Matthey Ceramics, the second-largest ceramics businesses in the world and an important element in the operations of both groups. They said they would "co-operate fully in the development" of CMC. The statement from Mr Robert Malpas, Cookson's chairman, Mr Richard Oster, its chief executive, and Mr David Davies, chairman and chief executive of John-

son Matthey, added: "We looked fully into the ways in which a merger might fairly have rewarded shareholders on each side. Sadly, we were not able to agree a recommendation to our respective shareholders and so our discussions have now ceased." relationships remained "excel-

Bankers insist that newspaper "leaks" about the talks played | ahead of the issue of shares, no part in the eventual breakdown in negotiations.

Mr Richard Malthouse, Cook-

son's company secretary, said his company would probably send a note to its shareholders today which would include some indication about present trading conditions. Johnson Matthey is scheduled to announce its halfyear results tomorrow.

By Raymond Snoddy in London

Shares in the flotation of TeleWest Communications, were six times subscribed and have been priced at 182p, valuing the UK cable television company at £1.8bn (\$2.95bn).

During preliminary trading in London and New York yesterday, there was strong institutional interest and deals were done at a modest premium with the price going up to 195p at one point

before easing.
Mr Alan Michels, TeleWest chief executive, said he was pleased at the price and "real pleased that demand was equal between the UK and the States".

TeleWest, a 50-50 joint venture between TCI of Denver, the largest US cable operator and US

West, the regional telephone company, will be the first UK cable company to join the London Stock Exchange. Dealing is expected to begin in London and the Nasdaq exchange in New York on November 30.

The 182p pricing, or \$28.50 per American Depositary Share, equals 10 ordinary shares. Of the £1.8bn valuation on the TeleWest's equity, £1.5bn is ordinary share capital.

The pathfinder prospectus suggested a price range of 165p and 190p with a total value for the company of between £1.61bn and £1.86bm. At the offer price the net proceeds are around

Commenting on the response, Mr Michels said: "The institutions now have a much better understanding of the cable commercial model. They know they are not going to get any income this year but I think we are building a very valuable busi-

It is not clear what impact the TeleWest float will have on the much larger flotation of British Sky Broadcasting. The satellite venture, in which Pearson, owner of the Financial Times, has a 17.5 per cent stake, has many more subscribers than cable and a larger revenue stream but less scope for offering services other than entertainment.

TeleWest has to spend a forther 21bn to complete its UK networks and is unlikely to be profitable before 1998.

The company owns and operates 16 cable franchises while affiliated companies own a fur-

This announcement appears as a matter of record only

### **Barry Riley**

# Waking up to the pension scheme threats



European finance directors: sentatives of AMP Asset Management offering you a computer disc to check the pros-

pects for your company pension scheme. The results could upset you. The self-testing disc comes with a report called The Threats to Company Sponsored Pension Provisions in Europe\* which is equally careless of its readers' peace of mind. Probably the threats are overdone, but it is clear that many European companies have grown complacent about their pension costs.

Only a few European countries have large numbers of funded company schemes. The UK and the Netherlands feature separate corporate funds invested mainly in securities, while Germany maintains a book reserve system in which the liabilities are usu-ally financed through the balance sheet. Schemes also exist in Switzeriand and Ireland.

Elsewhere in Europe unfunded state schemes predominate. These are coming under immense pressure from social and demographic changes; the big French industry-wide repartition schemes are in heavy deficit, and unaffordable pensions promises are at the centre of the Italian

How will the pressures which are undermining state systems affect company schemes? The report focuses on 15 company schemes in the UK, the Netherlands and Germany, plus a Dutch industry-wide fund.

Raising the costs of company schemes are demographic factors, islation to pay for upgraded bene- son Lobo on (44) 171 454 9779.

including longer life expectancy and fewer younger employees. together with pressures for early

Second, there is the likelihood that governments will try to offload state pensions liabilities on to employers - for instance, through compulsory contributions - while at the same time corporate taxes may be increased to help solve budget problems. The UK government has already made one raid on pension funds by modifying their dividend tax exemptions last year. Finally, there are the invest-

Many European companies have grown complacent about their pension costs

ment risks. Returns were unsustainably high in the 1980s and have tailed off. This might even be the start of an offsetting period of poor returns. If inflation stays low, pension funds can live with low nominal investment returns. But the great days of big surpluses and contribution holi-

days will have to end. In the US companies have been distancing themselves from these threats by switching from defined benefit to defined contribution structures (which now account for almost 60 per cent of corporate pension plan assets). Not only is the investment risk transferred to employees but it is much harder for companies to be forced through retrospective legied partners).

Why is AMP adopting scare tactics? It would like to break into the pension fund manage-ment business in Europe, and it no doubt has an interest in upsetting the the status quo. But as a subsidiary of the antipodean insurance giant Australian Mutual Provident it also has an actuarial input on the impending pensions crisis. Australia has implemented a

Superannuation Guarantee Charge, a compulsory employer pension fund contribution that will rise from 3 per cent to 9 per cent of pay (12 per cent including employee contributions) by 2002. In the UK, the Labour Party's Social Justice Commission has just proposed compulsory payments into second-tier funded schemes, and the National Association of Pension Funds has warmed to the same theme.

in these circumstances companies running their own pension plans would face a progressive loss of control of the funding costs and benefit structures of the schemes. According to AMP, they should watch developments very closely and consider switching to defined contribution funding or to external providers.

There is an element of special pleading in this report. Insurance companies are, after all, keen to recapture some of the company pensions business they have lost over the past 40 years. But AMP is right to argue that now is the time for companies to stop being complacent about their pension costs and start to worry. \*Published by AMP Asset Monagement in conjunction with First

Consulting. Price £200, from Alli-

**Management Buy-out** 

£16,800,000

Equity funds provided by: 3i Group plc 👙

Debt facilities provided by: NatWest Markets, Acquisition Finance

Coopers & Lybrand, Birmingham Management legal adviser:

Management lead adviser:

Edge & Ellison, Birmingham



3i plc, 91 Waterloo Road, London SEI 8XP. Tel: 071 928 3131. Fax: 071 928 0058.

### INTERNATIONAL COMPANIES AND FINANCE

# Improved Saab-Scania boosts profits at Investor

in Stockholm

Investor, the central holding company of Sweden's powerful Wallenberg empire, saw pretax profits surge to SKr2.28bn (\$311m) in the first nine months, after a strong performance from Saab-Scania, its wholly-owned vehicle and aerospace unit.

The result, which compares with a SKr156m profit in the same 1993 period, came after Saab-Scania rebounded to a in dividend receipts. Shares profit of SKr2.18bn after financial items, from a SKr362m

Saab-Scania's performance has been driven by higher sales and earnings from its Scania truck and bus division. These offset falling sales and increased losses at Saab

ings in leading Swedish companies such as Astra, Ericsson, Stora and Electrolux, said the value of its investment portfolio on September 30 was SKr28.9bn, down 1 per cent from the start of the year after adjusting for net changes. The group expanded its port-

its Export-Invest stablemate earlier this year. The result included SKr710m in capital gains and SKr477m were sold for a net SKr852m.

folio through the purchase of

The group's net worth amounted to SKr40.5bn, or SKr203 a share, on September 30 against SKr37.5bn, or SKr206, at the start of the year. Net debt has fallen to SKr4.61hp from SKr4.85hp. Saab-Scania saw sales climb to SKr22.2bn from SKr17.6bn, while operating income after SKr2.32bn from SKr108m. The star performer was

Scania, where sales jumped 34 per cent to SKr18.8bn and operating income after depreciation rose to SKr2.45bn from SKr311m. Sales of trucks and buses rose 28 per cent to 23,500 units, helping the division to lift its share of the west European truck market to 12.9 per cent from 11.7 per cent.

Orders rose 61 per cent in volume terms, to 29,100 trucks

Saab Aircraft & Defence was dragged to a deeper operating loss of SKr242m from SKr227m, mainly because of lower sales of commercial aircraft. Saab Aircraft, which manufactures Saab 340 and Saab 2000 regional airliners, saw sales drop to SKr881m from SKr1.35bn, while orders fell to SKr395m from SKr667m.

liminary step towards La Cor-poración reducing its majority stake in the company. La Corporación, owned by (Banesto), has told the Madrid

which will be whollysubscribed by La Corporación. La Corporación will pay above market price for Asturiana's new shares: in any event, it will not pay less than Ptal.600, compared with the current trading price of just over Ptal,500. The deal will

engineering would significantly strengthen the zinc company's balance sheet by reducing its debt from Pta31bn

to Pta16bn. Also, an upturn in zinc prices indicates Asturiana is set to increase profitability. It is expected to turn forecast losses this year of Pta3.2bn into profits of Pta2.5bn next year, and of Pta7.9bn in 1996. Corporación realised Ptal.6bn in September when it

institutions at Pta1,500 a Analysts believe it will begin

making similar block trading disposals next year as the value of Asturiana rises, and could eventually withdraw altogether from the company.

during 1995 will have been

unemployed for more than one

year, and aged over 50. The

rest will be younger than 30.

It blamed sub-dealers, acting between clients and retailers. who secured commissions on the connection of phantom customers to the network. Other causes included cloning or re-chipping of cellular phones, still legal in the UK.

Vodafone operates oversea through associates, subsidiaries and trade investments. So far, only the operations in Hong Kong and Malta are profitable. Start-up costs could be as large again in the second

### **Overseas** costs erode growth at Vodafone

By Alan Cane in London

Vodafone, the UK market leader in cellular phones, returned better than expected interim profits in spite of the impact of fraud and international losses.

Pre-tax profits were £186.4m (\$292.5m) against forecasts of between £175m and £185m and 7 per cent ahead of last year's £174.5m. Turnover rose 44 per cent to £560.7m from £389.8m last year. Earnings per share were 3.92p against 3.90p in 1993 after adjustment for the July 1994 capitalisation issue. The interim dividend was raised 20 per cent to 1.64p, reflecting the underlying

1993 against £19m last year.

In the UK, the number of

subscribers rose by 263,000, an increase of 140 per cent over growth in the same period last

Vodafone has more than

1.45m subscribers connected to

the network, but the "churn'

rate - a measure of the pro-

portion of subscribers who

leave the network – rose from

21.5 per cent to 26.5 per cent.

The company said much of the

churn was the result of fraud,

which had cost the company

some 1 per cent of UK turn-

over in addition to ordinary

bad debts, also about 1 per

growth of the business, according to Mr Ken Hydon, finangroup holds 64.5 per cent of Home's capital and 47.2 per cent of its votes. He said the company had Home is one of the largest continued to develop its US property and casualty insurers, with 1993 gross pre-miums of \$2.42bn. Professional operations overseas. Strong growth in the UK had been substantially offset by liability is a particular specialincreased start-up costs overseas, amounting to £40m in

ity, and the group ranks as the market leader in insurance for The US group has run into deep problems, the chief of which has been its exposure to long-tail environmental and professional liability claims.

hen Mr Lars Thunell

took over as chief

executive of Trygg-

Hansa, the Swedish insurer,

three weeks ago, he knew his

priority would be sorting out

the group's troubled relation-

ship with its loss-making US

What he did not know was

how quickly those problems

were to intensify. Home's

share price more than halved

between November 4 and

November 17, and last week

the group's senior debt was

downgraded by Moody's.

Trygg's own share price fell 8

Trygg-Hansa bought into

Home, a company more than

twice its size, in 1991 to help it

become one of the world's lead-

ing industrial and commercial

insurance groups. The Swedish

per cent last week.

associate, Home Holdings.

These have forced it to strengthen its reserves by \$465m over the past two years. Its difficulties this year have been compounded by high leverage, rising US interest rates, intensifying competitive pressures, and earthquake and cold-weather losses. Nine-month figures from

Home and Trygg reflect the impact. Home suffered a \$131m loss for the period, after Since then, it has tried to find reserve-strengthening of a partner willing to take some

# Sorting out problems at Home

Trygg-Hansa has a thorn in its US side, writes Christopher Brown-Humes

**Home Holdings** 

Chief executive of Trygg-Hansa

\$175m, and Trygg was hit by SKr1.4bn (\$190.9m) in Homerelated losses, dragging it to an overall deficit of SKr1.76bn.

Ideally. Trygg would like to be rid of Home, or at the very least, substantially reduce its ownership. Mr Thunell says Trygg should concentrate on what it does best - that is, its successful life and non-life business in Sweden. This differs from the internationalist approach of his predecessor, Mr Björn Sprängare, who was forced to quit the company during the summer, partly because of the problems at

However, untangling itself from Home is not proving easy. Last December, Home launched an initial public offering aimed at reducing its leverage and cutting Trygg's

ownership sharply. The offer, however, raised less than half the \$355m originally sought and Trygg was left with a far higher stake in the company than it wanted.

dilemma. If Home cannot refinance itself any other way, does it bail out its US associate in the hope that the group's performance picks up and it can sell out at an acceptable price. in the long term? Or does it reduce its commitment and leave the Home to sort out its own affairs? There are other possible solutions, including a sale by Home of some of its operations.

This leaves Trygg with a

Chacles Libers

Trygg executives say the worst-case scenario would be for Trygg to write off its entire investment in Home, a move which would reduce Trygg's solvency ratio to around 60 per cent from 132 per cent.

We have no more obligations apart from some minor reinsurance commitments." said Trygg. The current value of Home's equity in Trygg's books is SKr2.16bn and the debt SKr1.38bn.

Analysts, however, warn that if Trygg does try to walk away, it could face lawsuits from disgruntled policyholders and shareholders.

The situation is going to require all of Mr Thunell's expertise in crisis management expertise gleaned while he was president of Securum, the asset management group set up last year to handle the failed loans of Nordbanken, the biggest casualty of Sweden's 1992 banking crisis. Mr Thunell knows Trygg can

ill-afford another blow to its reputation after the huge losses it suffered following the collapse of Gota AB and Svenska Kredit in 1992.

He also knows Trygg cannot afford the distraction of Home when it needs to concentrate on the Swedish domestic market, where competition is intensifying.

# La Corporación revamps unit

By Tom Burns in Madrid

La Corporación Banesto, the Spanish industrial group, is planning to recapitalise Asturiana de Zinc, the world's fourth-largest producer of zinc Analysts believe this is a pre-

Banco Español de Crédito stock exchange commission it intends to re-adjust Asturiana's balance sheet, by first

reducing the company's capital

by Ptal5.4bn (\$119m). It will

Union des Assurances de Paris,

one of France's largest insur-

ance companies, yesterday

announced a labour contract

can take on younger people.

with the government so that it

The group said its workforce

was too old – with an average

age of between 35 and 45 - and

it wanted to employ younger people. About 250 of the exist-

then, through a debt-to-equity conversion, inject fresh funds of Pta15bn in a rights issue

around 55 per cent.

Analysts said the financial

**UAP** in accord for younger staff

ing staff will be going

part-time and the remaining 150 will take on more flexible

UAP, privatised earlier this

year, will hire 400 new staff

next year, including large

numbers of long-term unem-

ployed, while placing an equiv-

alent number of staff on

part-time and flexible con-

The accord, signed by Mr

raise its holding in the company from 51 per cent to

sold 23 per cent of its share-holding in Asturiana to some 30 international and domestic

Jacques Friedmann, (JAP's chairman, and Mr Michel Giraud, the French minister of labour, will require the state to pay up to 30 per cent of the salary of those working part-time for up to five years. In exchange, some 40 per cent of those hired by UAP

cent of turnover.

# Cost-cutting sustains recovery at OMV

By Ian Rodger in Zurich

OMV, the Austrian integrated petroleum and chemicals group, reported a Sch123m (\$11.2m) pre-tax profit in the third quarter, as its recovery from two years of losses continued, driven mainly by costlosses of Sch190m for the

same period last year. Sales at the partiallyprivatised group rose 8.6 per cent to Sch21.07bn, reflecting "slightly improved" overall market conditions. However. the exploration and production sector remained in loss due to low crude oil prices and a weak

The directors said they

remained confident the group would achieve a profit in the

of Home off its hands, but the

The problems have been

crystallised by Home's need to

strengthen its balance sheet

following its latest reserve-

strengthening. It wants to raise

\$250m in new capital through an equity or debt issue, or a

bank credit. Trygg has also

said it is willing to convert

some or all of a \$170m loan to

\$4.25 early yesterday from a

listing price last December of

\$17 - and the Moody's down-

grading have made the refinan-

cut Home's senior debt rating

to Ba2 from Baa3 reflected

"continued adverse loss devel-

opment in Home's long-tail

lines of business, such as pro-

fessional liability, and from

environmental, asbestos, and

breast implant litigation". It

also warned that Home might

have to strengthen its reserves

Moody's said its decision to

cing task more difficult.

The trouble is that the

collapse in Home's share price – down to

Home to equity.

search has proved fruitless.

The gas division was once again the largest contributor to earnings, with third-quarter profit almost pre-tax unchanged at Sch320m. Turnover was up 10 per cent to

The refining division saw its

Profit in the marketing divi-

sion was down nearly 20 per cent to Sch130m

lowest margins since 1989, with

sales down L5 per cent to

Sch11.7hn, mainly because of

lower prices for oil products. The division posted profit of Sch70m profit, 12.5 per cent.

lower than in the third quarter

All of these Securities have been sold. This announcement appears as a matter of record only.

### TECHNIP

6,234,258 Shares in the form of Ordinary Shares and Rule 144A American Depositary Shares

Price FF 257 per Share

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off electricity 0121 423 3018 Powerline 275,000,000 HMC FINANCING 3 PLC Mortgage Backed Floating Rate Notes due December 2018 Notice is hereby given that there will be a principal payment of \$2,17.00 per Note on the Interest payment date December 15, 1994. The principal amount outstanding per Note will be £36,506.49. By: The Chase Manhattan Back, M.A. London, Agent Back November 23, 1994 BankAmerica Corporation US \$500,000,000 Floating Rate Notes Due February 1997 For the period from November 23, 1944 to February 23, 1995 the Notes will carry an interest rate of 6,375% per annum with an interest innerest

per amount with an interest amount of US \$814.5h per US \$50,000 principal amount of Notes payable on February 23, 1995. Bank of America NT & SA, London - Agent Bank PAN-HOLDING

unconsolidated net ascot value was USD 350,553,283,51 i.e. USD 637,37 per chare of USD 200 per share amounted as of November 15, 1994 to USD 672,05.

MBE FINANCE N.Y. TRANCHE A U.S. \$30,000,000 GUARANTEED DUAL BASIS BONDS DUE 2004

TRANCHE B U.S.\$20,000,000 **GUARANTEED DUAL BASIS BONDS DUE 2004** 

ns of the above mentioned Notes, notice is ereby given as follows: TRANCHE "A"

Interest period; November 21, 1994 to May 19, 1995 (179 days) Interest payment date: May 19, 1995

Interest rate: 6.75% per annum Coupon amount payable per Bond of US \$ 1,000,000: US \$ 33,562.50

Interest period: November 21, 1994 to May 19, 1995 (179 days) Interest payment date: May 19, 1995 nterest rate: 6.70% per annur Coupon amount payable per Bond of US \$ 1,000,000: US \$ 33,313.89

> AGENT BANK BANQUE INTERNATIONALE BILLY
> A LUXEMBOURG

HILL SAMUEL OVERSEAS FUND Luxembourg, 11, rue Aldringen R.C. Luxembourg N° B8422 Notice of Annual General Meeting Notice is hereby given that the Annual General Meeting of Shareholders will be held at the registered office of the Company on 9th December, 1994 at 2.30 p.m. with the following agenda:

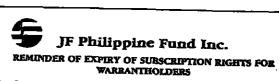
Agenda Submission of the management report of the Board of the Directors and of the report of the Anthorized Independent Approval of the annual accounts and appropriation of the ults as at 30th September 1994.

Discharge to be granted to the Directors for the proper per-formance of their duties for the period ended 30th September Receipt of and action on nomination for election of the Direc-

tors for a new statutory term of one year. Any other business. The shareholders are advised that no quorum is required for the items of the agenda and that the decisions will be taken at the

simple majority of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors



Each warrant gives the holder the right to subscribe for one ordinary share of US\$1.00 in the capital of JF Philippine Pund, Inc at the price of US\$10.00 for each ordinary share, payable in full on subscription.

To exercise the subscription rights attached to the warrants, a holder must complete the warrant exercise notice and deposit the relevant warrant certificate by 30th December 1994 at the undermentioned office of the Registrar and Warrant agent together with a remittance for the aggregate subscription price for the ordinary shares in respect of which the subscription rights are being exercised.

After 30th December 1994, any warrants which have not been exercised will lapse and warrant certificates shall cease to be valid for any purpose. REGISTRAR AND WARRANT AGENT

Barclays Registrars, Bourne House, 34 Beckenham Road Beckenham, Kent BR3 4TU, United Kingdom TRL: 081-663 3079 Lucian Wu (852) 978 7001 Valcrie Jolliffe (44 71) 638 5858

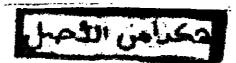


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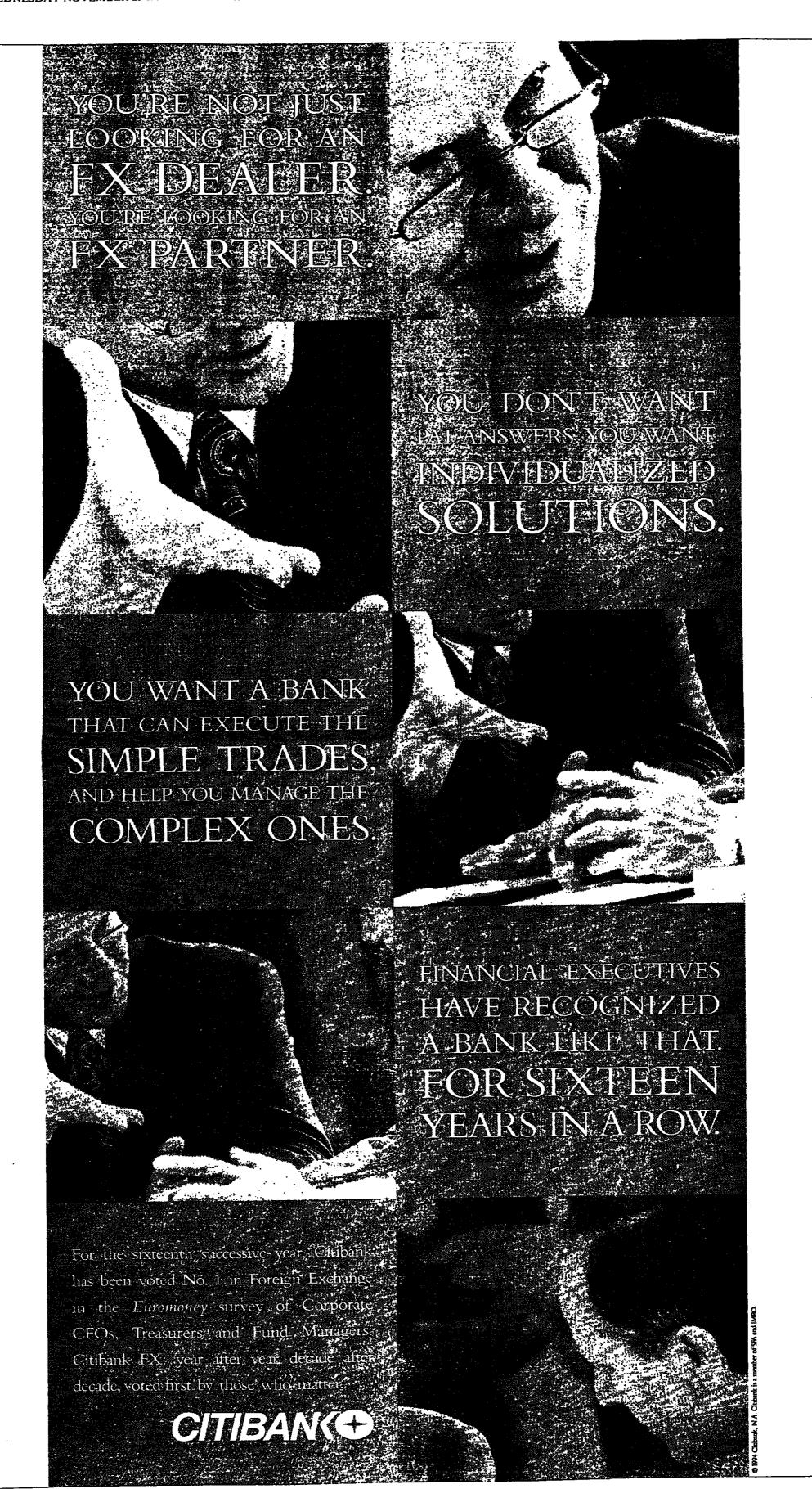
Union Bank of Switzerland Finance N.V. Ū.S. \$150,000,000 Guaranteed Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period beginning 22nd November, 1994 has been fixed at 6.98438% per annum.

Union Bank of Switzerland London Branch Agent Bank låth November, 1994



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# Price cuts take their toll on NTT profits

By Michiyo Nakamoto In Tokyo

NTT. Japan's largest telecommunications company, suffered a 66 per cent fall in profits - before extraordinary items and tax - in the first half, largely as a result of price

NTT, which was listed in New York and London this year, said sales dropped 2 per This was an improvement.

Slack fuel

demand hits

Japan's gas

Japan's gas utilities were hit

by sluggish demand for fuel during the exceptionally hot

summer and a cut in charges

in order to pass on the benefits

of the strong yen to

The companies reported

sharp falls in household

demand as families refrained

from cooking hot meals due to

the record temperatures, and

overall use of hot water fell.

Tokyo Gas, Japan's largest city gas supplier, fell into the

red, posting a half-year

extraordinary items and tax -

of Y4bn (\$40m), on a 5.7 per

cent decline in sales to

Y347bn. The company reported

after-tax losses of Y4bn. Gas sales to households plunged

10.2 per cent while the rate cut

For the full year to next

March, the company, which

has more than 7.5m customers

mainly in Tokyo and five

prefectures, expects a 25.9 per

cent fall in recurring profits to

Y27bn on a 2.9 per cent decline

Interim recurring profits at

Osaka Gas dropped 88.5 per

cent to Y1.3bn while sales fell

4.2 per cent to Y274.3bn.

After-tax profits plunged 83.6

per cent to Y948m. Sales of gas

to households fell 10.8 per

cent, while industrial demand

rose 8.7 per cent due to an

increase in usage of

gas-fuelled air conditioning.

Y621bn.

hit sales by Y9.3bn.

in sales to Y802bn.

companies

By Emiko Terazono

cent to Y2,856.7bn from a previous Y2,911.6bn mainly because of significant price cuts on long-distance calls, where NTT faces growing competition from recently established telenon-consolidated recurring coms companies. Recurring profits fell to Y35.5bn (\$360m) from Y103.9bn.

A maximum price cut of 10 per cent was introduced on the longest routes, depressing first-half revenues by Y95bn.

however, on the Y135bn impact the company had forecast.

Sales of equipment, such as phones for business and home users, were also lower because of tough competition, although sales of facsimile machines increased.

NTT saw its cost base rise in its telecommunications business as it spun off various businesses which had been conducted in-house, and depreciated fixed assets such as digitalised switches and fibre-optic cables being introduced in preparation for advanced communications services.

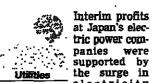
NTT expects increased competition in the long-distance sector will continue to affect results in the second half. The company is planning to apply to the ministry of posts and telecommunications for a rise in basic telephone charges.

Revenues for the full year are expected to rise to Y5,826bn

helped by revenues from prepaid telephone cards which are expected to total Y72.4bn.

Costs, however, are forecast to rise by about Y5bn in the second half as a result of a voluntary retirement programme and higher depreciation costs, taking recurring profits down to Y104bn from a previous Y109.5bn. Net profits are forecast at Y45bn against

# Heatwave warms electricity profits



at Japan's electric power companies were supported by the surge in electricity

demand due to the heatwave which hit the country in the summer, and the economic recovery

A rise in electricity demand for air conditioning helped the nine leading electric utilities, excluding Shikoku Electric Power, to post strong increases in recurring profits - before extraordinary items and tax. The companies were hit last year by an unusually cold summer and cuts in electricity

Lower fuel costs due to the ven's appreciation compensated for depreciation charges and lost income from further

Interim results to September 1994 (Ybn) Change on Company 2,522.0 1,299.9 +7.4 Tokyo 61.3 +25.0 36.8 +72.0 47.7 +23.9 Tohoku

Kansai Electric Power saw

Chubu Electric Power said

household demand for electric-

ity rose 14.2 per cent and

industrial demand increased

Tokyo Electric Power said record temperatures led to a 10.3 per cent rise in the compa-ny's total electricity sales The further cut in charges squeezed the company's earnings by Y46.4bn (\$471m), but an per cent increase in recurring profits to Y130bn on a 5.4 per cent rise in sales to Y2,500bn.

electricity rate cuts. Lower

interest rates helped cut debt

service payments.

For the second half, the company expects the cut in elec-tricity fees will affect its sales by Y44bn, but forecasts fullyear sales to rise 4.8 per cent to

increased sales volume covered

Y4.950bn on a 15.7 per cent by 2.9 per cent. increase in recurring profits. company

its first increase in industrial forecast. It now sees recurring profits rising 11 per cent to Y90bn on a 3.3 per cent demand in three years. Total electricity sales volume rose per cent, the first increase in sales to Y2,020bn. double-digit increase since Electricity sales volume at Tohoku Electric Power grew For the full year to March, 9.1 per cent. The company posted a sales and profit rise the company forecasts a 17.8

> For the full year, the com-pany forecasts sales to rise 4.2 per cent to Y1,400bn on a recurring profit increase of 8

for the first time in three

upwards its initial full-year

### Jitters on the Japanese stock market lead to a general rise in Share

Investors fear the Nikkei index may drop even further, writes Emiko

Terazono

hen the Nikkel index slid below 19,000 to a nine-month low yesterday, there were renewed fears that further weakness in the Tokyo stock market would harm the fragile recovery in Japan's ecomony currently being revealed by companies interim earnings.

The immediate cause of the For the full year to next decline has been the recent sharp fall in Wall Street and March the company expects an 18.1 per cent decline in Sony's announcement last recurring profits to Y31bn on week that it was writing a 2.9 per cent fall in sales to Y265bn (\$2.7bn) off the value of its US movie subsidiary. The Osaka Gas is Japan's second consumer electronics compalargest city gas supplier, ny's share price has fallen by servicing more than 5.5m 11.7 per cent in the past three customers mainly in Osaka. days, dragging down the whole

Japan 18,000 17,000 18,000

There have also been lingering fears over the health of the country's banks. Worries about the stability of Japan's financial system hit the stock market this time last year following the banks' poor half-year results, and some investors. expecting another set of poor

Source: FT Grantitie

results, are taking profits ahead of the banks' earnings announcements over the next The market's current decline

> Nikkei index stood at around 21,000 and when overseas fund managers, who had been ggressive buyers early in year, called halt. Many of the overseas inves-

started back in June when the

tors had initially hoped that aggressive deregulation of many Japanese industries, rigorous restructuring by some companies, and hopes of an easing of short-term interest rates by the Bank of Japan, would boost the economy and

prices. But, says Mr Alex Kinmont, a strategist at Morgan Stanley in Tokyo, "these reasons for owning stocks did not materialise". Domestic institutional inves-

tors have been constrained from sharply increasing their share holdings. Banks, which need to offset their losses on bad loan write-offs, have been selling their long-term

etail investors have R etail investors nave been virtually absent from the stock market since the Nikkei average started its tumble in 1990, soon after reaching an all-time high of nearly 39,000 in December

Although some analysts have hoped that a rally led by retail investors similar to that of the UK and US a few years ago would pluck the stock market from its current slump, the small private investors have. in fact, looked for safety with

bank deposits. Some analysts believe that share prices will not rebound without a "selling climax". allowing prices to fall to a point where investors regard the shares as fair value; others, however, are worried that further selling could push the market into free-fall. See World Stock Markets

### **NEWS DIGEST**

### TDK recovers in first half with 39.8% increase



TDK of Japan, the world's largest maker of magnetic tapes and a leading producer of floppy discs, yesterday signalled that it was pulling out of a threeyear profits decline. writes William Dawkins in Tokyo. A revival in demand for electronic components from US and Asian computer industry customers more than off-

set the continuing weakness in Japanese demand, to fuel a rise in current profits - before tax and extraordinary items - of 39.8 per cent to Y12.19bn (\$124m) in the six months to September.

The computer products improvement has continued in the current six months, due to stronger-than-expected demand for magnetic heads for hard disk drives because of the expansion in personal computer sales. As a result, TDK forecast full-year profits would rise by 41.2 per cent to Y20bn, above analysts'

Overall sales, however, rose only a fraction in the first half, to Y172.65bn from Y172bn a year earlier, hampered by cost reductions. TDK expects full-year sales to rise to Y343bn from Y334-61bn last year.

Turnover was also held back by weak demand for recording tapes, which represent more than a third of TDK's business.

Sales of recording media fell by 4.9 per cent to Y64.5bn in the first half, while turnover in electronic materials and parts rose by 3.1 per

TDK's main cost-cutting technique, likemany other Japanese producers of low-margin goods, has been to shift production to cheaper locations in Asia and Europe.

### Accor Asia Pacific puts trust float plans on hold

Accor Asia Pacific, in which the French Accor hotels group is a shareholder but which is quoted separately on the Australian stock market, yesterday put plans to float a "tour-ism trust" on hold, writes Nikki Tait in Accor Asia Pacific, which operates more

than 60 hotels in the Asia-Pacific region, blamed poor stock market conditions for the move. The Australian All-Ordinaries Index yesterday closed 31.8 points lower at 1.877.7, a 15-month low. The "tourism trust" plan was unveiled in

September, when Accor said it would issue units to institutional investors, with a view to listing the trust - likely to be valued at around A\$200m (US\$151.5m) - on the stock market shortly afterwards. The trust was to have held three- and four-

star properties in Australia and New Zealand, and would have been managed by a group including AAPC.

Initially, the trust was expected to include about 21 properties, mainly operating under the Ibis and Novotel brand names. Units in the trust were to be marketed to

### institutions in Europe, Australia and the US. Woolworth says profits outlook 'encouraging'

Woolworth, Australia's second largest retailer. said yesterday that sales and profits in the current year were slightly ahead of budget, and that the outlook for the full year's profits was "encouraging", writes Nikki Tait. It said that the 10.2 per cent same-store sales

increase for the first quarter, to end-Septem-

ber, had continued in ensuing weeks. However, Mr Paul Simon, chairman, warned at the company's annual meeting that Australia's current drought could partly offset the benefits of continuing economic growth, both in terms of the supply and price of products. He stressed that the company had no plans to make a big acquisition or move into Asia as a retail force. However, he said Woolworths, hoped to build links with Asian retailers via a consultancy role, and as a supplier of fresh food and vegetables.

### Pacific BBA shares drop on profits revision

Shares in Pacific BBA, which was spun off on the Australian stockmarket by the UK's BBA group in 1993, fell 13 cents to A\$3.35 yesterday, after the company said that profits for the year to end-1993 and the half-year to June 1994 had been overstated because of accounting irregularities in one of the plastics businesses, writes Nikki Tait.

It said the overstatement amounted to just under A\$3m (US\$2.3m) in after-tax profits. resulting from a number of accounting entries apparently designed to hide losses on some contracts in the Viscount tool room and inflate profits in the plastics operation".

### Titan Wheel buys into three Italian companies

Shake piloe (S)

Titan Wheel International, the Illinois based company which is the world's largest producer of wheels for agricultural and construction equipment has announced its first significant acquisition in Europe, writes Andrew Baxter in London. Titan, which went public on the New Nay 93 (\* 1994) York Stock Exchange ce FT Grades last year, paid L15bn

(\$9.4m) for 50 per cent of the Italian wheel companies Sima, Sirmac and AGM. Titan has an option to buy the remaining shares for at least another L15bn. Mr Maurice Taylor, Titan's president and chief executive, said the deal was likely to be followed by further strategic acquisitions, which ultimately would create a specialist

European wheel and tyre group with sales of about \$300ml The Milan-based Sirmac/Sima Group has been badly hit by the recession in European farm and construction equipment markets, and has been losing money, but according to Titan has one of the best wheel factories in the

world. Mr Taylor says the deal would allow Titan to offer a better service to its international customers. The Italian companies would probably be combined initially with Titan's UK manufacturing and distribution centre, based in

Merseyside. The deal comes four months after Titan bought the Pirelli Armstrong factory at Des Moines, Iowa, which claims 70 per cent of North American farm tyre sales.

Together, the Italian and US takeovers will give Titan annualised sales of \$700m., compared with \$150.4m last year. Titan expects to establish a European business headquarters in the UK as its expansion proceeds.

### Tobacco company ahead

Scandinavian Tobacco Company, in which BAT of the UK, holds a 32.1 per cent stake, reported net profits of DKr937m (\$154m) for the year ending June 30 1994, up 5 per cent on the previous year's DKr892m, writes Hilary Barnes in Copenhagen. Sales rose by 1.6 per cent to DKr13.76bn from DKr13.54bn, of which about DKr6.6bn arose from the Dagrofa general wholesale and retail group and the rest from tohacco products.

### BANK OF CREDIT AND COMMERCE INTERNATIONAL (IN LIQUIDATION)

### **NOTICE TO CREDITORS**

**Proposed Agreement with Majority Shareholders** and Pooling Agreement with ICIC

The Liquidators of Bank of Credit and Commerce International SA ("BCCI SA"), Bank of Credit and Commerce International (Overseas) Ltd ("BCCI Overseas") and Credit and Finance Corporation Ltd ("CFC") are in the process of sending out letters (with attachments) to creditors relating to:

- a Proposed Agreement with the Government of Abu Dhabi on behalf of the Majority Shareholders of BCCI Holdings (Luxembourg) SA ("Holdings") under which US\$1,800 million will be paid to the Liquidators of BCCI SA, BCCI Overseas, CFC, Holdings and the principal ICIC Companies for distribution to unsecured creditors:
- a Proposed Pooling Agreement whereby the assets of the principal BCCI companies and the principal ICIC Companies will be pooled and distributed rateably amongst creditors.

The court in Luxembourg will consider whether to approve the Proposed Agreement with the Majority Shareholders and the Proposed ICIC Pooling Agreement at hearings to be held on 30 November and 1 December 1994.

The High Court in London will consider whether to give such approval at a hearing on 19 December 1994 at 9.30 am.

The Cayman Islands Court will consider approval at hearings to be held on 12 and 13 January 1995.

If any creditor requires further information, or intends to appear or be represented at the court hearings, he or she should contact, for BCCI SA - England, Creditors Claims Department, Citadel House, 5-11 Fetter Lane, London EC4A 1BR; for BCCI SA and BCCI Holdings (Luxembourg) SA, Airport Centre, 5 Rue Hohenhof, L-1736 Senningerberg, Luxembourg; for BCCI Overseas and CFC, the Creditors Group, PO Box 1359, One Capital Place, George Town, Grand Cayman, Cayman Islands, BWI.

### Submission of Claims

If any creditor has not yet received a proof of debt form and would like to submit a claim, please write to the appropriate Liquidators at one of the addresses noted above.

This notice ONLY applies to BCCI SA and BCCI Overseas and their branches

# Thai group seeks to raise \$80m in IPO

in Bangkok

Advance Agro, the pulp and paper subsidiary of the Soon Hua Seng group of Taailand, is seeking to raise more than \$90m through an initial public offering next month to help finance a \$650m pulp and paper mill on Thailand's eastern seaboard.

Executives from Advance Agro and Barclays de Zoete Wedd, the international lead manager for the offering, are currently on an international roadshow to publicise the

SHS, a leading agro-indus-trial group which trades rice, tapioca and other products, is offering one-tenth of the enlarged capital of Advance Agro, or 36m shares, to the public at an estimated Bt55 to Bt60 a share, depending on the outcome of the book-building

About 30 per cent of the new shares will be allocated to foreign investors.

A further 19m shares have been sold to the project's main financial backers - Bangkok Bank, Thai Farmers' Bank, Krung Thai Bank, and the Commonwealth Development

Corporation - at Bt40 a

The new pulp and paper mill is expected to begin production in early 1996 and is designed to meet the growing demand for paper in Thailand and the

Advance Agro intends to focus on the domestic market but could export up to one-fifth of its output to China, Singapore and Hong Kong. Mr Yothin Dumnernchan-

vanit, managing director, said: "Demand for paper in Thailand and throughout the Asia Pacific region is increasing by more than 10 per cent a year.

"Per capita consumption of paper in Thailand is only about 30kg per year, compared to more than 200kg per year in Singapore, Japan and the US, indicating huge future growth potential for the market." The new plant will generate

its own electricity and produce up to 175,000 tonnes a year of bleached eucalyptus kraft pulp. It will supply its own paper mill, with a capacity of 217,200 tonnes of coated and uncoated printing and writing paper, and that of its existing whollyowned subsidiary Hi-Tech Paper, which operates a 41,000-

### Wesfarmers, MRI in venture

Wesfarmers, the Australian announced that it would head diversified rural services and resources group, said yesterday it had entered a joint ven-ture with Medical Research International to look at coalrelated projects in China, writes Nikki Tait. MRI is a vehicle for Mr Oei

Hong Leong, the Hong Kong-based entrepreneur. It recently

a consortium to build a A\$1.2bn (US\$90m) coal slurry pipeline in China. Westarmers and MRI said

they had last month met Mr Wang Shenghao, China's minister for coal, to "explore opportunities for co-operative coal-mining ventures in China".

OFFERING CIRCULAR

16th November, 1994



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**CS First Boston** 

IBJ International pic

Deutsche Bank AG London Lehman Brothers Nippon Credit International Limited S.G. Warburg Securities

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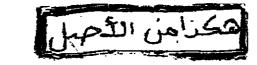
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### INTERNATIONAL COMPANIES AND FINANCE

provisions

boosts Bank

of Montreal

By Bernard Simon in Toronto

A sharp fall in loan-loss

provisions helped Bank of

Montreal post its fifth consecu-

tive year of record earnings,

with fourth-quarter income

0.68 per cent from 0.63 per

cent. Assets have risen by 18

per cent in the past year, to

Fourth-quarter earnings far

exceeded analysts' estimates,

jumping to C\$268m, or 99

cents a share, from C\$201m, or

74 cents, a year earlier. Return

on equity for the latest period

The bank is widely expected

Loan losses for the sear fell

to C\$510m from C\$675m, in

spite of a doubling in general

provisions to C\$200m, which

the bank said was a prudent

move during the business

The bulk of the drop in loan-

loss provisions took place in

the fourth quarter, when

write-downs almost halved to

C\$99m from C\$175m. The bank

said the improvement took

place across its entire portfolio

of individual, commercial and

corporate loans, but especially

Non-performing loans

dropped by 40 per cent to

One of the few setbacks was

a 12 per cent slide in earnings

from foreign exchange

**Communications** 

Montgomery Asset Man-agement, the San Francisco-

based investment manager,

and Barings Securities, part of

the UK investment banking

group, yesterday announced a

\$100m investment fund which

will focus on communications

Fund will place up to 10m

Mr Oscar Castro, who cur-

rently manages the Montgom-

ery Global Communications

Fund, will act as principal

portfolio manager for the

fund, which will be registered

investment fund

to be launched

By Richard Lapper

in the property sector.

jumping by one-third.

C\$2.59, a year earlier.

C\$138.2bn.

was 18.7 per cent.

upswing.

to raise its dividend.

# Review of Microsoft's Intuit purchase extended

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The US Justice Department anti-trust division has extended its review of Microsoft's \$1.5bn acquisition of intuit, a leading publisher of personal finance software, potentially delaying the deal.

The acquisition plan was submitted to the Justice Department last month for a routine 30-day review. Microsoft acknowledged yesterday, however, that it had received a "second request" for information from the Justice Department, extending the review beyond the normal deadline.

We believe this is an indication of the commitment of the Department to thoroughly review [the transaction],"

Microsoft said. "We remain confident it will be approved." Microsoft declined to comment, however, on what aspects of its plan were being questioned

Competitors fear the deal could allow Microsoft, the world's largest software com-pany, to achieve a dominant position in the emerging market for on-line financial services. Microsoft already leads in several other PC software segments. It holds an estimated 80 per cent share of the market for operating system . programs that control the basic functions of a PC.

Intuit is one of the few companies to have competed directly with Microsoft and won. Intuit's Quicken program is used by about 6m PC owners, or 75 per cent of all "active personal finance users", according to Intuit. Microsoft's competing Money program has captured only a tiny share of the market since it was introduced two years ago.

In an attempt to avoid antitrust problems, Microsoft has agreed to divest its Money program to Novell, another software company, for undisclosed terms.

A broad anti-trust investigation this year of Microsoft's business practices was concluded when the company agreed to change the way it licenses software to PC manufacturers. As part of that agreement, Microsoft was placed under the scrutiny of US and European competition authorities for six and a half years.

# McDonald's to spend \$650m on expanding European chain

By Vincent Boland in Vienna

McDonald's, the US fast-food group, is planning a big expansion of its restaurant chain in central and eastern Europe by the end of the decade, in spite of what it says is a shortage of entrepreneurs in the region

able to take on franchises. The company says it will spend up to \$650m in increasing the number of outlets from 60 to 500 by the year 2000. Most of the new restaurants will be in central Europe, with about 20 per cent in the former Soviet republics.

Mr Andreas Hacker, managing director of McDonald's Central Europe, said yesterday the company was still rela-

tively unknown in central and eastern Europe. He added it was having difficulty finding franchise partners because "we are looking for a type of entrepreneur that is basically nonexistent in these countries". He said potential franchisees

must be familiar with prod-

ucts, quality control, staff man-

agement, and "how to give a TV interview". Only 25 per cent of the 60 outlets in the region are owned by franchisees, compared with 80 per cent worldwide. Mr Hacker said the ratio of franchised to company-owned outlets in the region would fall as the brand name became more

familiar and more suitable

McDonald's yesterday announced an agreement, ini tially worth \$500,000, with ICL. the UK computer company, to supply computer services to link newly-opened outlets to its regional headquarters in

McDonald's has invested about \$100m in central and eastern Europe to date. It has 23 outlets in Hungary, 12 in the Czech Republic,

18 in Poland and one in Slo-It also has three restaurants in Serbia, and another three that have been closed because of the UN embargo on the

country will be re-opened when the blockade is lifted, Mr Hacker said.

# Czech utility to launch eurobond

entrepreneurs emerged.

By Nicholas Denton

CRZ, the Czech electric utility. will become the first east European corporation to launch a eurobond next week, marking the region's growing access to international debt markets. J. P. Morgan, the lead man-

ager, is marketing the \$150m five-year issue on a roadshow and is expected to begin selling next Monday or Tuesday.

A rating of BBB-minus from Standard & Poors and CEZ's

status as the only investmentpoint to aggressive pricing at about 100 basis points above treasuries.

CEZ is a special case in being the largest quoted company in central eastern Europe, with a market capitalisation of

rush of east European companies to the bond markets, the issue does indicate a trend.

Magyar Kulkereskedelmi Bank of Hungary, the first bank - rather than corporation to tap the euromarkets, this week launched its second eurobond. The DM150m seven-year issue was run by Bayerische Landesbank of Germany, the Hungarian bank's minority

On the syndicated loan markets, Ceskoslovenska Obchodn Banka and Komercn Banka of the Czech Republic set new benchmarks for east European borrowers by achieving pricing of 70 and 65 basis points respectively above Libor.

A benchmark for both the CEZ issue and to some extent the landmark syndicated loans While market commentators was the City of Prague's Euro-

do not expect CEZ to start a bond issued earlier this year, which trades at 85 basis points above treasuries.

Investment bankers expect other utilities to follow CEZ's lead. The two banks which have dipped into syndicated loans are also understood to be considering borrowing on the public market.

Poland's recent agreement with its creditors clears the way for its companies to borrow long-term and internationally. First, however, the Republic of Poland has to make its return to the debt markets with a planned five-year eurobond deal.

CS First Boston, J. P. Morgan, Merrill Lynch, Goldman Sachs and Morgan Stanley, all US investment banks, are on the shortlist to manage the transaction and a decision is believed to be imminent.

> as a closed end investment company in Bermuda. Baring Brothers is sponsor to the issue and Baring Securities is the placing agent. The placing is not underwritten.

Correction Mr Peter Godsoe

An article in early editions yesterday referred to Mr Peter Godsoe as chairman of the Bank of Nova Scotia. Mr Godsoe is in fact president and chief executive officer, and Mr Cedric Ritchie is chairman.

# SEC investigation at PaineWebber

By Patrick Harverson in New York

PaineWebber, the US securities firm, is being investigated by the Securities and Exchange Commission as part of a broader inquiry into the sale of limited investment partnerships on Wall Street.

The investigation is similar to inquiries at Prudential Securities, which found that Prudential brokers had sold clients high-risk energy and property

limited partnerships as lowrisk, secure investments. Prudential ultimately agreed to pay more than \$700m in fines and restitution, and the firm was put on probation for three

years by federal prosecutors. Although the PaineWebber investigation is not as large as the Prudential case, it is believed to focus on at least \$2bn of limited partnerships sold by the firm. The SEC is reported to be seeking to determine whether brokers system-

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Financial Times Newsletter

NDERSTAND THE CHANGES AND OPPORTUNITIES IN

atically misled clients about the risks involved in investing in energy and aircraft leasing

partnerships. PaineWebber denies that its brokers lured clients into buying inappropriate investments and noted that the SEC is investigating the sales of limited partnerships at other firms. A spokesman for the SEC said the commission would neither confirm nor deny the existence of any investigation.

### THE LATIN AMERICA INCOME AND APPRECIATION FUND N.V.

DIVIDEND NOTICE

Consistent with the authorization granted by the Board of Supervisory Directors on November 15, 1994, notice is berely given that the Fund's Managing Director has declared a distribution (consisting of an interim dividend of profits expected to be earned during the current fiscal year ending on August 31, 1995) of U.S. \$0.50 per Class A Share and an equivalent amount on a yield basis for Class B Shares, payable on January 3, 1995 to common shareholders of record at the close of business of December 23, 1994, in the case of shanes held in registered form, or upon presentation of coupon number 10 attached to the common share certificate to the Fund's Administrator (on or after January 3, 1995), in the case of common shares held in

By order of the Managing D

danaging Director and Location of Principal Office on Trust (Curação) N.V. John B. Goesiwareg 6 Willemstad, Curaça Netherlands Antille Investment Manage Scudder, Stevens & Clark, Inc



Bank of South Australia Limited

LIS\$300,000,000

Floating rate notes due 1999

The notes will bear interest at 6 35% per annum for the interest period from 23 November 1994 to 23 February 1995. Interest payable on 23 February 1995 will iouni to US\$162.28 per

Agent: Morgan Guaranty Trust Company

**JPMorgan** 

### THE KINGDOM OF BELGIUM

U.S. \$100,000,000 FLOATING RATE BONDS **DUE NOVEMBER 1996** 

accordance with the provision of the Bonds, notice is hereby given that the Rate of Interest for the seventeeth Interest Period from the 23rd November, 1994 to 23rd May, 1995 has been fixed at 6.1875 per cent per annum.

Interest payable on each US \$250,000 on the relevant interest date, 23rd May, 1995 will be US

> INTERNATIONAL PLC. Agent

# Sharp fall in | Nasdaq strengthens its defences

Allegations of collusion have prompted action, says Patrick Harverson

₹ he Nasdag stock market has been under fire this year over allegations that its dealers colluded to fix their prices so they could profit at the expense of investors. Yet, until recently, the National Association of Securities Dealers, which operates the market, was slow to defend itself and its members, much to the unhappiness of some

Nasdaq dealers. The bank, which is the first Now, however, the NASD of Canada's "Big Six" banks to has brought out some hig guns. report 1994 results, lifted earn-Last week, the association ings to C\$825m (US\$603.8m), named a seven-strong select committee, headed by former or C\$3.01 a share, for the year to October 31, from C\$709m, or US senator Mr Warren Rudman, to conduct a review of Return on equity climbed to the Nasdaq market, the second 14.9 per cent from 14.1 per largest in the US after the New cent, and return on assets to

York Stock Exchange. The NASD hopes that the appointment of the blue-ribbon panel - which includes well-known figures from the world of investing and market regulation such as Mr Peter Lynch, the prominent fund manager, and Mr Irving Pollack, a former head of market regulation at the Securities and Exchange Commission will appease those who say the association has not been taking allegations of price fixing

Some critics, however, are still unhappy. They say the committee is packed with too many industry insiders (one of the seven is a former NASD chairman and two are former NASD governors) and are surprised that the panel has been asked to review everything except the allegations that dealers broke anti-trust laws by fixing prices to maximise

As one former top NASD official put it: "Since they aren't allowed to look at the trees, looking at the forest is going to be kind of hard." The NASD, however, says it

would have been improper to

ask the committee to review matters which are the subject of more than two dozen classaction lawsuits, as well as separate investigations by the Justice Department and the SEC. However, Mr Richard Ketchum, NASD chief operating officer, says the committee will be free to examine the wider issue of how prices are determined and how trades are executed on Nasdaq, and whether there is genuine competition

among the dealers. Although Mr Rudman said this week that his committee did not want to get in the way of the Justice Department's investigation, he gave an assurance that they would "look where we have to look". and that the panel would talk to the two finance professors whose study of Nasdaq spreads sparked the inquiries and lawsuits in the first place.

The study, by Mr William Christie of Vanderbilt University and Mr Paul Schultz of Ohio State University, found that spreads between the buy and sell prices quoted by Nasdaq dealers on stocks of many big companies were unneces-sarily wide. It concluded the about the Nasdaq market only explanation was that deal-

ers had agreed to keep spreads wide to maximise their profits - even though it meant denying investors the best possible price on each trade.

The study, and a second report by the professors which later appeared to back up their initial findings, prompted scores of investors to file lawsuits against Nasdaq dealers including some of the biggest Wall Street firms - claiming they had violated anti-trust laws by illegally fixing prices.

ver since the first study's findings were published, the NASD has consistently denied that its dealers colluded to fix prices (the dealers have remained quiet, pending the lawsuits). This week Mr Ketchum reiterated the NASD's view on the matter. "If there is anticompetitive activity going on in the market...we would welcome anyone identifying it." But, he said, "we don't believe the economic data in the two studies give any clear evidence that there was anticompetitive activity going on

Mr Ketchum points out that that the study focused only on price quotations, rather than actual trades. The NASD claims that many trades are executed at prices that are better than those advertised by dealers on the screens, and they also say that wide spreads are necessary in some stocks to ensure there is sufficient liquidity in the market to

in the marketplace."

Amid the various investiga tions, inquiries, lawsuits and select committees, the contro-versy over Nasdaq prices has raised broader questions about US equity markets, and whether investors are best served by the current structure of competing marketplaces offering investors the opportunity to trade via different, and in most cases unconnected.

trading systems. Mr Junius Peake, professor of finance at the University of Northern Colorado and an expert on the structure of US markets, says the problem of pricing on Nasdaq is just one of many faults within the market infrastructure. "The iceberg has stuck its peak above the surface of the water.'

Mr Peake believes the controversy over price fixing highlights the weaknesses inherent in a system that allows markets (not just the NASD but the NYSE and other exchanges) to regulate them-selves. "The incident demonstrates the folly of combining self-regulation with the operation of a commercial enterprise like a market."

These are the sort of issues he believes will be addressed next year by Congress, which in the wake of the price-fixing charges is likely to want to take a close look not just at Nasdaq, but at all US markets. The central problem, says Mr Peake, is relatively straightforward: "The market structures are not as protective of customers' interests as they ought to be."

# US heads Europe M&A league

By Nicholas Denton

seriously enough.

US investment banks dominate a new league table of advisers on mergers and acquisitions into Europe announced so far this year. CS First Boston leads the list, having been involved in \$11.6bn worth of deals, double the activity of its nearest competitor.

Altogether, six of the top 10 advisers are of US origin compared with three last year. The highest placed UK-based house is S.G. Warburg, in eighth

ace. While some executives at US investment banks were quick to attribute their success to superior skills and resources, others saw it as a sign of the recent surge of US investment into Europe.

"It's a reflection of high and services in the emerging markets. The Montgomery "It's a reflection of high compiled the table, showed the transatlantic activity," said Mr it as a leading adviser to Euro-Emerging Communications | Klaus Diederichs, co-head of pean acquirers.

Top 10 advisers on mergers into Europe Value (Sm) CS First Boston/ 11,570.4 Credit Suisse J.P. Morgan Lazard Houses 5,241.1 4,641.4 Morgan Stanley Goldman Sachs 4,015.2 2,346.1 1,987.7 Lehman Bros 1,921.4 Kleinwort Benson 1,882.6 Werthelm/Schroder

European M&A for J. P. Mor-

gan, which came second in the Warburg said it too had enjoyed a series of transatlantic deals, but in the other direction Securities Data Which

compiled the table, showed the

Source: Securities Date

Competitors were surprised by CS First Boston's strength, and the firm conceded that in any single period there was an element of luck and that the extent of its lead was artificial. The house has nevertheless, among other roles, advised Boots of the UK on the sale announced last week of its

surance businesses. CSFB has had a reputation as a bond house and it suffered a traumatic reorganisation after the departure of its longtime London head, Mr Hans-

pharmaceutical business to

BASF of Germany, and Swiss

Re on the disposal of its non-in-

Jorg Rudloff. It credited its improved position to a doubling of resources in corporate finance between 1989 and 1991, and the European flavour given by its link

with Credit Suisse of Switzer-

### Santa Fe urges rejection of **Union Pacific bid**

By Richard Tomkins in New York

Santa Fe Pacific, the US railway company at the centre of competing bids, yesterday advised its shareholders to turn down the latest Union Pacific offer in favour of an agreed merger with Burlington Northern.

Burlington's \$3.1bn offer would not be payable until the deal had been approved by federal rail regulators. Union Pacific is offering \$3.3bn and says it will acquire Santa Fe immediately, putting its shares into a voting trust pending reg-

ulatory approval Santa Fe's board said that Union Pacific's bid was "too uncertain" because it was not clear that the regulators would allow it.

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# Italian sector tumbles on renewed political worries |LCH points to

London and Lisa Bransten in New York

While activity in most European government bond markets was muted, Italian bonds and the lira tumbled sharply yesterday amid renewed political worries surrounding Mr Silvio Berlusconi, prime minister .

Bonds fell by as much as a point on news that Mr Berlusconi had received formal notice that he is under investigation for allegedly paying bribes to Italian tax authorities in connection with his media empire

Although the corruption probe has been rumoured for months, its confirmation threw the market into disarray, raising fears that political

upheaval would delay the pas-sage of the 1995 budget. Parliament has to pass the package, which includes measures to cut some 148,000bn from next year's public sector deficit. before the end of the year.

#### GOVERNMENT BONDS

However, after dropping steeply on the initial news. prices soon stabilised as traders decided the news merely confirmed market worries. "Considering the seriousness of the matter, the drop wasn't as bad as it could have been a lot was already discounted,"

said a dealer. "The key questions now are: will Berlusconi be forced to trendless day slightly higher, resign, and will it throw the buoyed by short-covering in

budget process into disarray," said Mr Graham McDevitt, bond strategist at Paribas Capital Markets. Although he thinks the budget is likely to be passed by year-end, he said the market would remain nervous over prospects of political upheavals - possible coalition

realignments or even new elec-

tions - in the new year. The December BTP future on Liffe fell as low as 99.75 but recovered slightly to end at 100.11, down 0.78 point on the day. The Italian 10-year yield spread over German bonds widened to 476 basis points. from 455 on Monday, and some traders said it could move towards 500 in coming days.

■ German bunds ended a

Participants are awaiting the release of October M3 data. expected some time this week. The December bund future on Liffe ended at 90.41, up 0.33

■ UK gilts continued their pre-Budget slumber, tracking bunds slightly higher in the absence of domestic impulses. The Bank of England announced that a £200m tap issue of 7 per cent Treasury stock due 2001 had sold out, having been supplied at 92.02.

existing gilts set on Monday. ■ US Treasury prices benefited yesterday morning from a

The issue was part of a total

the futures markets and a firmer tone in the US Treasury market.

weakening stock market as door on a further tightening in the near term. Although the bonds and out of a declining Fed raised rates by a strongerstock market.

By midday the benchmark 30-year government bond was up % at 93% yielding 8.108 per cent. At the short end of the market, the two-year note was unchanged at 99%, yielding 7 294 per cent.

Traders added to the morning gains as they covered short positions before the afternoon auction of five-year notes. The early morning saw prices dip slightly as traders sold bonds to make way for the new

Prevailing sentiment in the £750m package of tap stocks of market has been pessimism and uncertainty since the Federal Reserve boosted its Federal funds target interest rate last week without closing the

than-expected 75 basis points to 5% per cent, the move was insufficient to calm the market's fears of inflation. Almost immediately after the interest rate increase traders began expecting rates to go up again

soon. Such interest rate insta-

bility causes investor unease

and undermines bond prices. Even yesterday's boost in prices is not expected to last as most investment strategists are not advocating moving from stocks to bonds, but rather from stocks to cash. Also, the dollar declined from late Monday levels, which hurts the bond market by deterring foreign investors from buying US instruments

spread is not going to attract institutional interest," he said.

\$200m offering of three-year

floating rate notes, priced to yield 35 basis points over three-

month Libor, which joint lead

manager CSFB said found

Ireland is planning to tap the

euroyen market for around

Y30bn within the next few

weeks, the Irish National Trea-

sury Management Agency said.

strong European demand.

Challenge Bank launched a

# exchange-traded derivatives growth

By Richard Lapper

Growth of exchange-traded. derivatives products in London is poised to exceed last year's total by nearly 50 per cent, according to figures released yesterday by the London Clearing House (LCH).

The LCH said that so far this year it had cleared more than 200m contracts, compared with 154.6m for all of 1993, and expects the final figure for 1994 to be about 220m.

The popularity of exchange-traded products was also illustrated yesterday by the results of a survey which shows fund managers are becoming more likely to buy exchange-traded rather than over-the-counter products, following a number of heavy losses in the last 18 months.

Mr David Hardy, LCH managing director, said the pace of growth "has continued beyond people's expectations" and that volume had nearly doubled

over the last two years. The LCH clears contracts traded on Liffe (where volumes increased from 101.9m to more than 141.5m), as well as the London Commodity Exchange (down to 3.5m from 3.7m), the LME (up to 42.2m from 35.3m) and the International Petroleum Exchange (down to 13.1m

from 13.8m). Interest from US futures and commodities funds has increased and business has also benefited as a result of volatile conditions in the underlying cash markets, said Mr Hardy. Efforts by the exchanges to educate corporate and institutional users are also

yielding dividends. The survey\* - by Coopers & Lybrand and Derivatives in Fund Management, the special House, Purk Terroce, W. ist magazine - sought the Purk, Surrey KT4 7HY)

from the UK, Europe, North America and Asia. It found that 77 per cent of respondents favoured exchange-traded instruments, while only 23 per cent preferred products bought on the OTC market.

the sector than

\*Thorn E

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EE 12.7

27 F 

Last year - when the sample was smaller - 72 per cent of UK fimd managers and 57.5 per cent of European managers favoured exchange-traded products.

Mr Michael Levy, director of Antrim Associates who conducted the research, said exchange-traded derivatives were perceived to be "chean liquid and transparent, good for hedging purposes and easier to justify.

The survey also shows that knowledge of derivative prod-

ucts among fund managers remains limited although their popularity has grown.

More than half of respondents said that less than onequarter of fund managers at their institution were familiar with derivatives. More than half the managers said their systems for managing exposures were either non-existent

or inadequate. Forty eight per cent of fund managers used derivatives mainly for hedging purposes. The survey also found inves-tors and trustees of pension funds were more positive about derivatives than a year ago. While most are now "neutral: to positive" in their attitudes, a majority were either "neutral"

or "negative" last year. "It is surprising and encouraging given the problems of the past 12 months," said Mr Phil Rivett, of Coopers. ment, Tel. 071 827 5254 (Park House, Park Terrace, Worcester

# Bank of England may Activity slows in run-up to holidays make novel gilt issues

By Peter Norman,

The Bank of England is exploring the issue of zerocoupon UK government bonds and ways of aiding investors to separate the income stream from gilt-edged stock, as part of its programme of making UK government bonds more attractive to international

Mr Ian Plenderleith, the Bank's executive director for monetary policy operations. said it was also considering new types of security to meet the needs of pension funds.

"We continue to seek views from market participants on the scale of possible interest in zero-coupon instruments and in coupon-stripping facilities," Mr Plenderleith told the Third City of London Central Bank-

demand for new forms of government security," he added. Although Mr Plenderleith gave no further details, it is thought that the Bank could be

considering the issue of gilts with very long maturities for pension funds. The issue of zero-coupon honds which reward investors through capital gains rather than interest payments, will

have to overcome Inland Revenue rules that have so far prevented their sale, and the sale of deep discount UK bonds. Mr Plenderleith said the UK government bond and money markets were "in the midst of

a significant process of continuing change But officials said the ideas floated yesterday constituted a

"wish list" rather than specific plans. However, the Bank is expec-

New issuance activity in the eurobond market slowed yesterday ahead of holidays in Japan and the US today and tomorrow.

#### INTERNATIONAL BONDS

The short-dated dollar sector, which witnessed a flurry of activity after last week's rise in US short-term interest rates, nevertheless managed to attract three borrowers in the two and three-year area.

Bayerische Landesbank launched a \$300m offering of three-year bonds. Traders criticised the launch spread - 15 basis points over US government bonds - as too expensive and described selling as "slow". The spread widened to around 19 basis points after the bonds were freed to trade. "A spread of 20 basis points

would have been a fairer

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price," said one trader. However, joint lead manager Lehman Brothers said the spread was in line with similar existing bonds trading in the secondary market and that virtually no bonds had been bought back through the bro-

The bonds were launched into Asla in the hope of attracting some interest there, traders said. But they suspected that most would be placed with

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European retail investors. In the sterling sector, National & Provincial Building Society launched a £100m offering of bonds due December 1997, priced to yield 45 basis points over UK gilts. Traders cast doubt on the

decision to launch a three-year offering. "This area of the ster-ling yield curve is only going to retail accounts and Nationa & Provincial is not a retail name," said one dealer. "The

Final terms and non-calable unless stated. The yield acread (over relevant government bond) at taunch is supplied by the lead manager. ‡Rosting rate note. R: their re-offer price; fees are shown at the re-offer level, a) 3-mth Libor +35bp. b) 3-mth Libor +614bp.

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### ted to discuss possible rule Conference yesterday. "Changes in the pension changes with the Treasury and may generate UK tax authorities. WORLD BOND PRICES BENCHMARK GOVERNMENT BONDS Day's Week Month change Yield ago ago Red Date Price 89,7500 +0.120 10,71 10,61 10,25 98,0700 +0.170 8.34 8.23 8.55 83,2500 -0.200 9.18 9.04 9.12 98,7500 +0.350 8.72 8.75 8.95 101,8200 +0.180 7.47 7.47 7.83 Australia Belgium Canada ' Denmark France 9.000 09/04 7.750 10/04 6.500 06/04 7.000 8.000 6.750 7.500 8.500 4.800 4.100 7.250 8.000 05/98 10/04 11/04 08/04 06/99 12/03 10/04 05/04 08/99 11/04 10/08 6.000 6.750 9.000 7.875 ECU (French Govt) 6.000 London closing. "New York mild-day † Green Brickuding withholding tox at 12.5 per cent payable ( Priote: US, UK in 32nds, others in decimal Treasury BOND FUTURES AND OPTIONS +0.28 +0.28 +0.24 111,36 110,54 109,66 CALLS -Mar 1.78

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14pc 1996 15 <sup>2</sup> epc 19 3ch 13 <sup>2</sup> epc boversion 1 1eas Cov 7; 1eas 13 <sup>2</sup> epc 16as 6 <sup>2</sup> epc 16as 6 <sup>2</sup> epc 16as 6 <sup>2</sup> epc	65	10.00 12.05 12.99 13.74 12.23 9.58 7.13 11.97 9.96 8.80 12.76	5.81 984 6.28 1024 6.58 1071 7.15 1104 7.20 1084 7.24 98, 7.24 98, 7.27 1103 8.03 1014 8.03 1014 8.03 1014		1974 1974 1974 1974 1974 1974 1974 1974	8 120 2005 to 9 12 pc 2005 14 pc 2005 14 pc 2006 15 pc 2006 16 pc 2002 17 pc 2003 18 pc 2003 18 pc 2004 18 pc 2004 1	5 8.94 5 10.24 8.21 8.35 7 10.11 1 8.53 10.49	8.50 993 8.35 1063 8.86 1223 8.48 943 8.57 951 8.57 154 8.52 995 8.60 1292 8.50 1031	-4 100 l - 125 l -4 143 l -4 113 l -4 115 l -4 15 l -4 15 l -4 15 l
14pc 1996 15½pc 19 5ch 13½pc 2mession 1 2cs 13½pc 2ch 10½pc 7cs 63pc 2ch 15pc 19 94pc 199	964+	10.00 12.05 12.89 13.74 12.23 9.58 7.13 11.97 9.96 8.60 12.76 9.37	5.81 954 6.28 1052 6.88 1073 7.15 1102 7.20 1083 7.20 1043 7.74 863 7.77 1103 7.79 1053 8.03 1013 8.13 1174 8.23 1044		1974 1974 1974 1974 1974 1974 1974 1974	8 120 2005 to 9 12 pc 2005 14 pc 2005 14 pc 2006 15 pc 2006 16 pc 2002 17 pc 2003 18 pc 2003 18 pc 2004 18 pc 2004 1	5 8.94 5 10.24 8.21 8.35 7 10.11 1 8.53 10.49	8.50 993 8.35 1063 8.86 1223 8.48 943 8.57 951 8.57 154 8.52 995 8.60 1292 8.50 1031	-4 100 l - 125 l -4 143 l -4 113 l -4 115 l -4 15 l -4 15 l -4 15 l
14pc 1996 15½pc 19 2ch 13½pc 2checsion 1 2cs 13½pc 2ch 10½pc 2ch 10½pc 2ch 15pc 199 2ch 15pc 199 2ch 15pc 199 2ch 15pc 199	65	10.00 12.05 12.99 13.74 12.23 9.58 7.13 11.97 9.88 9.89 12.76 9.37 7.48	5.81 98½ 6.28 105½ 6.88 107½ 7.15 110½ 7.20 100¾ 7.74 98¾ 7.77 110⅓ 8.03 101½ 8.13 117¾ 8.23 104¾ 8.23 97¾	107	12 974 1 1054 1 1055 1 1054 1 1054 1 1054 1 1054 1 1054 1 1054 1 1054 1 1056 1	8 120 2005 to 9 12 pc 2005 14 pc 2005 14 pc 2006 15 pc 2006 16 pc 2002 17 pc 2003 18 pc 2003 18 pc 2004 18 pc 2004 1	5 8.94 5 10.24 8.21 8.35 7 10.11 1 8.53 10.49	8.50 993 8.35 1063 8.86 1223 8.48 943 8.57 951 8.57 154 8.52 995 8.60 1292 8.50 1031	-4 100 l - 125 l -4 143 l -4 113 l -4 115 l -4 15 l -4 15 l -4 15 l
14pc 1996 151epc 19 Sech 131epc Jemension 1 Teas 131epc ach 101epc Teas 81epc 191epc 199 Teas 61epc 193epc 199 Teas 61epc	965   9864   9844   9844   9844   9844   9854   9875   9874   9875   987	10.00 12.05 12.99 13.74 12.23 9.58 7.13 9.58 8.89 12.76 8.87 7.46 7.08	5.81 954 5.28 1052 6.88 1078 7.15 1102 7.20 1054 7.74 984 7.77 1103 7.78 1054 8.03 1012 8.13 1174 8.23 1044 8.24 974 8.24 974		12 974 1 1054 1 1054 1 1054 1 1054 1 1054 1 1055 1	8 120 2005 to 9 12 pc 2005 14 pc 2005 14 pc 2006 15 pc 2006 16 pc 2002 17 pc 2003 18 pc 2003 18 pc 2004 18 pc 2004 1	5 8.94 5 10.24 8.21 8.35 7 10.11 1 8.53 10.49	8.50 993 8.35 1063 8.86 1223 8.48 943 8.57 951 8.57 154 8.52 995 8.60 1292 8.50 1031	-4 100 l - 125 l -4 143 l -4 113 l -4 115 l -4 15 l -4 15 l -4 15 l
14pc 1996 15 <sup>1</sup> epc 19 5ch 13 <sup>1</sup> epc 5chenion 1 1ess Cav 7; 1ess 13 <sup>1</sup> epc 1ess 8 <sup>3</sup> epc 1ess 8 <sup>3</sup> epc 1ess 7 <sup>1</sup> epc 1ess 8 <sup>3</sup> epc 14pc 1998	984 984 1984 1984 1984 1986 1996 1997 1997 1997 1997 1998 19	10.00 12.05 12.39 13.74 12.23 9.58 7.13 11.57 9.86 9.80 12.76 9.87 7.46 7.46 12.00	5.87 98-4 6.28 105-24 6.88 107-34 7.15 1103-3 7.20 108-3 7.26 164-3 7.77 1103-3 7.77 1103-3 7.79 105-3 8.23 101-2 8.23 104-2 8.24 95-3 8.24 116-5 8.24 116-5		1024 1024 1104 1104 1104 1104 1104 1104	8 Page 2005 ## 9 Pag DC 2005 ## 12 Page 2003 *Page 2008 *Page 2008 ## 11 Page 2007 ## 2004 ## 3 Page 2008 ## 3 Page 2008 ## 3 Page 2008 ## 4 Page 2008 ## 4 Page 2008 ## 4 Page 2008 ## 4 Page 2008	851 6 1024 821 835 7 1011 1 453 10.49 10.49 836	8.50 993 8.35 1063 8.86 1223 8.48 943 8.57 951 8.57 154 8.52 995 8.60 1292 8.50 1031	-4 100 l - 125 l -4 143 l -4 113 l -4 115 l -4 15 l -4 15 l -4 15 l
14pc 1996 15 <sup>7</sup> epc 19 ben 12 <sup>8</sup> epc benession 1 tess Cav 7; tess 13 <sup>8</sup> epc tess 8 <sup>8</sup> epc 14pc 1996 tess 8 <sup>8</sup> epc 14pc 1996 14pc 1996 14pc 1998	95 c 1895;;; ; ; ; ; ; ; ; ; ; ; ; ; ; ; ; ; ;	10.00 12.05 12.89 13.74 12.25 9.56 7.13 11.57 8.80 12.76 8.87 7.08 42.00 12.58	5.81 98½ 6.28 105½ 6.88 105½ 6.86 105½ 7.15 110¾ 7.20 108¼ 7.54 108¾ 7.74 105¾ 7.74 105¾ 7.74 105¾ 7.75 105¾ 8.23 104½ 8.23 104½ 8.24 95¾ 8.24 95¾ 8.24 118% 8.28 123¼	107	102 1025   105   107   1	8 Page 2005 ## 9 Type 2005 ## 12 Type 2005 Type 2005 Type 2005 ## 11 Type 2007 ## 2004 ## 2004 ## 2008 ## 2008 ## 2008 ## 2008 ## 2008	5 8.94 5 10.24 8.21 8.35 7 10.11 1 8.53 10.49	8.50 993 8.35 1063 8.86 1223 8.48 943 8.57 951 8.57 154 8.52 995 8.60 1292 8.50 1031	+2 1254 -2 1254 +3 1154 +3 1154 -3 1154 -3 1154 +4 1154 +4 1154 +4 1154
14pc 1996 15 <sup>1</sup> epc 19 sen 13 <sup>1</sup> epc 19 sen essen av 19es 13 <sup>1</sup> epc 10ss 8 <sup>3</sup> epc 10ss 8 <sup>3</sup> epc 10ss 15pc 19 19ess 7 <sup>3</sup> epc 14pc 1998 sess 15 <sup>2</sup> epc teh 12pc 19	65 c 1986;;	10.00 12.05 12.39 13.74 12.23 9.58 7.13 11.57 9.86 9.80 12.76 9.87 7.46 7.46 12.00	5.87 98-4 6.28 105-24 6.88 107-34 7.15 1103-3 7.20 108-3 7.26 164-3 7.77 1103-3 7.77 1103-3 7.79 105-3 8.23 101-2 8.23 104-2 8.24 95-3 8.24 116-5 8.24 116-5	107	105 to 10	8 Page 2005 ## 9 Pag DC 2005 ## 12 Page 2003 *Page 2008 *Page 2008 ## 11 Page 2007 ## 2004 ## 3 Page 2008 ## 3 Page 2008 ## 3 Page 2008 ## 4 Page 2008 ## 4 Page 2008 ## 4 Page 2008 ## 4 Page 2008	8.51 8.91 8.21 8.21 8.35 7. 10.11 1	2.50 6933 2.55 1003, 2.68 122,5 2.48 943 3.57 1151, 2.52 1955 3.50 1031,2 3.46 953 3.37 811,241 3.46 1041,2	+2 1004 
14pc 1996 154pc 19 spin 134pc breenion 1 spec Cav 7; test 134pc spin 199 stype 199 sty	65 c 1896   c 1896   c 1896   c 1896   c 1896   c 1897   c 1898	10.00 12.05 12.89 13.72 12.23 9.58 7.13 11.57 8.80 12.76 9.37 7.46 12.56 12.56 10.71 10.75	5.87 98\(\frac{1}{6}\) 6.88 102\(\frac{1}{6}\) 6.88 107\(\frac{1}{6}\) 6.88 107\(\frac{1}{6}\) 108\(\frac{1}{6}\) 108\(\frac{1}{6}\) 108\(\frac{1}{6}\) 2.74 98\(\frac{1}{6}\) 7.79 105\(\frac{1}{6}\) 8.03 107\(\frac{1}{6}\) 8.13 17\(\frac{1}{6}\) 8.23 104\(\frac{1}{6}\) 8.23 104\(\frac{1}{6}\) 8.24 118\(\frac{1}{6}\) 8.36 112\(\frac{1}{6}\)	113 173 174 175 175 175 175 175 175 175 175 175 175	10 10 10 10 10 10 10 10 10 10 10 10 10 1	8 Page 2005 ## 9 Type 2005 ## 12 Type 2005 ## 12 Type 2005 ## 12 Type 2005 ## 2006 ## 2006 ## 2006 ## 2006 ## 2006 ## 2006 ## 2006 ## 2006 ## 2006 ## 2008 ## 76 Type 2006 ## 2008 ## 76 Type 2006 ## 2008 ## 76 Type 2006 ## 2008 ##	8.51 8.91 6	8.50 9833 8.55 1063, 8.46 9413 8.77 1875 8.52 935, 8.50 1293 8.46 953 8.50 1031, 8.46 1041, 8.47 1045,	+2 1252 +3 1252 +4 1253 +4 1153 +4 1153 +4 1153 +4 1153 +4 1153 +4 1254 +4 1254
14pc 1996 15-lept 19 25-lept 19 25-lept 19-lept 13-lept 25-lept 13-lept 25-lept 199 25-lept 199 25-lep	65 c 1996+1 c 1996+1 c 1996+1 c 1998+1 c 1997+1 c 1998+1 c 1999+1	10.00 12.05 12.05 12.23 9.58 7.13 9.56 8.80 12.57 7.46 7.00 12.58 10.71 9.15 10.73 9.75	5.51 994 6.28 1052 6.38 1052 6.38 1052 7.15 1064 7.20 1064 7.77 1054 8.03 1072 8.03 1072 8.21 1074 8.22 1074 8.23 1274 8.24 953 8.40 1154 8.41 1154 8.41 1154 8.44 1154	107	10 10 10 10 10 10 10 10 10 10 10 10 10 1	8 Page 2005 ## 9 Type 2005 ## 12 Type 2005 ## 12 Type 2005 ## 11 Type 2002 ## 11 Type 2003 ## 2004 ##	8.51 8.91 8.21 8.21 8.35 7. 10.41 1. 8.53 10.49 8.36 7.58 1. 6.62 8.80 2‡‡ 7.38	8.50 Sept   8.51 1054   8.68 1224   8.69 1225   8.57 1074   8.52 995   8.69 1295   8.69 1295   8.66 1045   8.67 1045    8.67 1045   8.67 1045   8.67 1045    8.67 1045   8.67 1045    8.67 1045   8.67	+2 1254 +3 1254 +4 1255 +4 1354 +4 1354
14pc 1996 154pc 19 Even 134pc Conversion 1 Grees Cav 7; Frees 134pc Such 104pc Grees 84pc Such 1996 1994pc 1996 Frees 64pc	65 c 1996+1 c 1996+1 c 1996+1 c 1998+1 c 1997+1 c 1998+1 c 1999+1	10.00 12.05 12.89 13.72 12.23 9.58 7.13 11.57 8.80 12.76 9.37 7.46 12.56 12.56 10.71 10.75	5.87 98\(\frac{1}{6}\) 6.88 102\(\frac{1}{6}\) 6.88 107\(\frac{1}{6}\) 6.88 107\(\frac{1}{6}\) 108\(\frac{1}{6}\) 108\(\frac{1}{6}\) 108\(\frac{1}{6}\) 2.74 98\(\frac{1}{6}\) 7.79 105\(\frac{1}{6}\) 8.03 107\(\frac{1}{6}\) 8.13 17\(\frac{1}{6}\) 8.23 104\(\frac{1}{6}\) 8.23 104\(\frac{1}{6}\) 8.24 118\(\frac{1}{6}\) 8.36 112\(\frac{1}{6}\)	113 173 174 175 175 175 175 175 175 175 175 175 175	10 10 10 10 10 10 10 10 10 10 10 10 10 1	8 Page 2005 ## 9 Type 2005 ## 12 Type 2005 ## 12 Type 2005 ## 12 Type 2005 ## 2006 ## 2006 ## 2006 ## 2006 ## 2006 ## 2006 ## 2006 ## 2006 ## 2006 ## 2008 ## 3pc 2008	8.51 8.91 6	8.50 9833 8.55 1063, 8.46 9413 8.77 1875 8.52 935, 8.50 1293 8.46 953 8.50 1031, 8.46 1041, 8.47 1045,	+2 100 Å

8.16 8.80 10.90 9.38 7.80 9.26 9.25 9.25 10.18 8.40 8.43 8.56 8.59 8.62 8.65 8.64

101.8200 +0.180 7.47 7.47 7.83 90.9800 +0.270 8.11 8.11 8.34 100.1700 +0.130 7.47 7.40 7.70	II ITALIAN GOYT. E	OND (ETT) FUTURES O	PTIONS (LIFTE) Lits	200m 100ths of 100%
100.1700 +0.190 7.47 7.40 7.70 81.0600 -0.800 11.83; 11.58 11.82 102.9380 +0.018 4.04 4.04 4.12	Strike Price	Dec Mar	Dec	PUTS Mar
96.3670 +0.398 4.67 4.72 4.76 98.0600 +0.300 7.53 7.48 7.66	10000 10050	0.04 1.67 0 1.47	0 Q.46	2.76 3.06
\$1.9500 +0.080 11.16 11.18 11.30 90-31 +3/32 8.35 8.43 8.72	10100 Est. vol. total, Calle 361	0 1.29 4 Puta 3462. Previous dey's	0.96 open lot., Calls 27686	3.38 Puta 35752
88-10 +8/32 8.50 8.68 8.64 103-30 +8/32 8.51 8.59 8.60 99-05 +5/32 8.00 7.91 7.65 93-05 +8/32 8.11 8.08 8.04 84,1300 +0.290 8.51 8.47 8.72 Paties: Locat marker: standard, cent payable by nonresidence	Spain III NOTIONAL SPAN	ISH BOND FUTURES (A	EFF)	
Source: MMS Internetional	Open Dec 87.30	Sett price Change 87.49 +0.15	High Low 87,50 87.25	Est. vol. Open int. 25,794 82,106
Treasury BBIs and Bond Yields 7.28	Mar 85.50	86.69 -	86.73 88.50	1,919 5,458
5.53 Three year 7.53 5.48 Pive year 7.79 5.48 Pive year 7.79 5.00 10-10-10-10-10-10-10-10-10-10-10-10-10-1	UK	ilt futures (lifter s	50 000 92ada at 100	ari
	Open	Sett price Change	High Low	Est. vol. Open int.
PTIONS	Dec 102-14 Mar 101-23	102-18 +0-05 101-27 +0-06	102-20 102-10 101-27 101-21	27943 102830 4082 18133
ES (MATIF)		IRES OPTIONS (LIFFE) 9	50,000 64ths of 100	
nge High Low Est. vol. Open int. 28 111.40 111.02 128,452 133,681	Strike	Dec Mar	Dec	PUTS
28 110,56 110,24 13,182 24,372 24 109,62 109,42 193 3,004	103	0-40 1-42 0-05 1-10	0-04 0-33	1-52 2-20
		9-01 0-50 7 Puts 1051. Previous day's	1-29 open lat., Cells 75088	2-60 Puta 92757
ONS (MATE)				
Jun Nov Dec Mer	Ēcu			
- 0.03 1.30 - 1.53 0.10 1.76 -	ECU BOND FUTL	HRES (MATIF)		
1.14 0.70 - 1.95	. Open Dec 80.98	Sett price Change 81.12 +0.14	High Low 81.15 80.92	Est. vol. Open int. 3,433 7,095
				-,
	US			
RES (LIFFE)* DM250,000 100ths of 100%	Open	OND PUTURES (CBT) \$1 Latest Change	00,000 32nds of 100 High Low	Est. vol. Open Int.
nge High Low Est, voi Open int, 37 90.53 90.08 122058 189852	Dec 96-26 Mar 96-08	96-29 +0-03 96-10 +0-04	97-00 96-26 96-12 96-06	182,750 408,031 14,082 63,257
41 89.73 89.18 14468 40902	Jun 95-23	95-23 +0-02	95-24 95-21	1,170 11,927
	_			
DM250,000 points of 100% PUTS PUTS	Japan B NOTIONAL LONG	I TERM JAPANESE GO	VT. BOND FUTURE	3
Mar Dec Jan Feb Mar	(LEFE) Y100m 10	Oths of 100%		
Mar Dec Jan Feb Mar	th NOTIONAL LONG (LFFE) Y100m 10 Open Dec 108.33		High Low 108.50 108.33	Est. vol Open Int. 318 0
Mar Dec Jan Feb Mer 1.02 0.04 0.89 1.21 1.38 0.80 0.21 1.20 1.50 1.86	Dec 108.23 Mer 107.87	Oths of 100%	High Low 108.50 108.33 107.84 107.65	Est. vol Open Int. 318 0 2579 0
Mar Dec Jan Feb Mer 1.02 0.04 0.99 1.21 1.38 0.80 0.21 1.20 1.50 1.88 0.61 0.59 1.57 1.82 1.97	Dec 108.23 Mer 107.87	Oths of 100% Close Change	High Low 108.50 108.33 107.84 107.65	Est. vol Open Int. 318 0 2579 0
Mar Dec Jan Feb Mer 1.02 0.04 0.99 1.21 1.38 0.80 0.21 1.20 1.50 1.88 0.61 0.59 1.57 1.82 1.97	Dec 108.23 Mer 107.87	Oths of 100% Close Change	High Low 108.50 108.33 107.84 107.65	Est. vol Open Int. 318 0 2579 0
Mar Dec Jan Feb Mar 1.02 0.04 0.99 1.21 1.38 0.60 0.21 1.20 1.50 1.66 0.61 0.59 1.57 1.62 1.97 ous day's open inc., Calls 303569 Purs 245891	M NOTIONAL LONG (UFFE) Y100m 10 Open Doc 108.33 Mar 107.57 * UFFE contracts index	Othes of 100% Close Change on APT. All Open Interest I	High Low 108.50 108.33 107.84 107.65 iga. see for previous da	Est. vol Open Int. 318 0 2579 0 by.
Mar Dec Jan Feb Mer 1.02 0.04 0.99 1.21 1.38 0.60 0.21 1.20 1.50 1.66 0.61 0.59 1.57 1.62 1.97 ous day's open inc., Calls 303565 Purs 345591  £+or- Righ Low Notes but  Feeding 31-pc 1999-4 4,69	18 NOTIONAL LONG (UFFE) Y100m 10  Open  Dec 108.33 Mar 107.57  * UFFE contracts inside:  1864 Plea £ + or -   kigh  Red Plea £ + or -   kigh	Oths of 100%  Close Change on APT. All Open Interest I	High Low 108.50 108.33 107.84 107.65 iga. see for previous da	Est. vol Open Int. 318 0 2579 0 by.
PUTS	18 NOTIONAL LONG (UFFE) Y100m 10  Open  Dec 108.33 Mar 107.57  * UFFE contracts index  Red Prior E + er - High  128 249 +4 89  8.59 1053 -125  8.59 1053 +1 1059	Othes of 100%  Close Change on APT. All Open Interest I	High Low 108.50 108.33 107.84 107.65 gs. are for previous da (i) (2) Pro- (b) (2) 4.00 2 55.9) 2.50 4.00 2 55.9) 2.50 4.00 2	Est. vol Open Int. 318 0 2579 0 by.  1994 1994 1994 1904. +1. 2055 1973
PUTS   Mar   Dec   Jen   Feb   Mar	## NOTIONAL LONG (UFFE) Y100m 10  Open  Doc 108.33  Mar 107.57  * UFFE contracts traces  Red Prior E + or - High  7.28 24½ + 2 89; 8.59 1653 - 125; 8.59 885 + 105; 8.59 885 + 105; 8.59 885 + 105; 8.59 885 + 105; 8.59 885 + 105; 8.59 885 + 105; 8.59 885 + 105; 8.59 885 + 105; 8.59 885 + 105; 8.59 165; 8.50	Oths of 100%  Close Change  on APT. All Open Interest I  1994  Low  Low  1994  1994  1994  1994  1995	High Low 108.50 108.33 107.84 107.65 igs. are for previous de  (i) (2) Pre (b) (2) Pre (c) (3) 2.50 4.00 2 85.81 2.75 3.53 17 178.31 3.33 3.77 1 78.33 3.45 3.80 1	Est. vol Open Int. 318 0 2579 0 32579 0 325 + 62 - High Low 335 + 42 1355 1654 1655 1654 1655 1654 1655 1654 1655 1654
Mar Dec Jen Feb Mer  1.02 0.04 0.89 1.21 1.38 0.60 0.21 1.20 1.50 1.86 0.61 0.59 1.57 1.82 1.97 cas day's open Ire., Calls 303565 Puts 245581  2 + or - Feb Low Motes tel  2 + or - Feb Low Motes tel  1003 1004 0.89 1.57 1.82 1.97  1005 1005 1005 1.57 1.82 1.97  1006 1005 1005 1005 1005 1005 1005 1005	## NOTHONAL LONG (LFFE) Y100m 10 Open 108.33 Mar 107.57 * UFFE contracts tracks ** UFFE contract	Othes of 100%  Close Change  on APT. All Open interest i  1994 Low  8914 Index-Lichted  10112 20: 76 842 45-92-9211 (1) 97 21-95 103 11815 20: 76 97 21-95 103 11815 20: 76 993 20: 76	High Low 108.50 108.33 107.84 107.65 108. 107.65 109. era for previous de 108. (1) (2) Pix 108. 2.50 4.00 2 55.8 2.75 3.53 176.3 2.30 3.77 1 18.9 2.45 3.81 1 18.63 3.48 3.81 1 18.63 3.48 3.81 1	Est. vol Open Int. 318 0 2579 0 by.  1994 1994 1995 1975 1005 1005 1125 1005 1125 1005 1005 100
PUTS	## NOTHONAL LONG (LEFE) Y100m 10  Open  Doc 108.33  Mar 107.57  * UFFE contracts index  7.25 745 +1, 85, 89 1051  8.90 1051 -1 25, 105, 105, 105, 105, 105, 105, 105, 10	Othes of 100%  Close Change  on APT. All Open Interest I  1994  Low  8914. Index-Linked  10112. 20: 78  97. 20: 101  10212. 30: 101  10213. 40: 101  10213.	High Low 108.50 108.33 107.84 107.65 Iga. are for previous de 108.50 108.33 Iga. are for previous de 108.50 108.33 Iga. are for previous de 109.50 108.30 Iga. are for previou	Est. vol Open Int. 318 0 2579 0  37.  1994
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Mar   Dec   Jen   Feb   Mar	## NOTHONAL LONG (UFFE) Y100m 10  Open  Open  108.33  Mar 107.57  *UFFE contracts bracks  **Red Prior S + or - Reg  \$25 245 + 1.85  \$25 1053 - 1254  \$25 1053 - 1254  \$25 1053 + 1153  \$25 1053 +	Othes of 100%  Close Change  on APT. All Open Internet I  1994  Low  8914. haten-liched  1912 20: 76  1924. 45pc 1921 1181 20: 76 1181 20: 76 1181 20: 76 1182 20: 76 1182 20: 76 1183 20: 76 1184 20: 76 1185 20: 76 2124 225c 16 2245 2352 2	High Low 108.50 108.33 107.84 107.65 107.84 107.65 109. Even for previous de 107.84 107.65 109. Even for previous de 108.51 109. Even for previous de 108.51 109. Even for previous de 108.51 109. Even for previous de 109. Even	Est. vol Open Int.  318 0 2579 0  y.  1994 1994 1994 1994 1994 1994 1995 1
Mar Dec   Jen Feb Mar	## NOTHONAL LONG (LFFE) Y100m 10  Open  Open  108.33  Mar 1077.57  * UFFE contracts bracks  **Red Phon E + or - High  7.25 745  4.50 1053  4.50	Other of 100%  Close Change  on APT. All Open Interest I  1994  1994  1994  1994  1994  1994  2007  2007  20	High Low 108.50 108.33 107.84 107.65 107.65 109.36 107.65 109.36 107.65 109.36	Est. vol Open Int.  318 0 2579 0  y.  1994.
Mar Dec   Jen Feb Mer	## NOTHONAL LONG (LFFE) Y100m 10  Open  Open  108.33  Mar 1077.57  * UFFE contracts bracks  **Red Phon E + or - High  7.25 745  4.50 1053  4.50	Other of 100%  Close Change  on APT. All Open Internet I  1994  Low  8914. haten-liched  1912. 2c. 76  1912. 2c. 76  1913. 45pc 1914  1181. 45pc 1914  1181. 45pc 1914  1182. 2c. 76  1183. 2c. 76  1183. 2c. 76  1184. 45pc 1914  1185. 2c. 76  1186. 2c. 76  1186	High Low 108.33 107.84 107.65	Est. vol Open Int.  318 0 2579 0 37.  1994 1954 1954 1954 1954 1955 1955 195
Mar Dec   Jen Feb Mer	## NOTHONAL LONG (LFFE) Y100m 10  Open  Doc 108.33  Mar 107.57  * LFFE contracts bracks  ### Phon E + or -	Other of 100%  Close Change  on APT. All Open Interest I  1994 Low Low Low 1011; 20: 76 842 49:c 98:t 10 1102; 20: 76 1104; 20: 76 1106	High Low 108.33 107.84 107.65	Est. vol Open Int.  318 0 2579 0  57.  1994
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Mar   Dec   Jan   Feb   Mar	*** NOTIONAL LONG (LFFE) Y100m 10  Open  Open  108.73  ***UFFE contracts breaks  ***LEFFE contracts breaks  **LEFFE c	Other of 100%  Close Change  on APT. All Open Interest I  1994 Low  8914 Index-Liebted  1812 2cr 76 97 2 2cr 76 1184 11 124 24cr 984 11 1124 24cr 184 11 1124 2	High Low 108.50 108.33 107.84 107.65 109.28 107.65 109.28 107.65 109.28	Est. vol Open Int. 318 0 2579 0 7.  1994 1
Mar   Dec   Jen   Feb   Mar	18 NOTHONAL LONG (LFFE) Y100m 10  Open  Open  108.33  Mar 107.57  * LFFE contracts break  107.57  * LFFE contracts break  108.33  109.33  109.34  109.34  109.35  109.	Other of 100%  Close Change  on APT. All Open Internet I  1994   Sale Head   Sale Head    1912   20 T 6	High Low 108.50 108.33 107.84 107.65 109.36 107.65 109.36 107.65 109.36 107.65 109.36 107.65 109.36	Est. vol Open Int.  318 0 2579 0  by.  1994
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Mar   Dec   Jan   Feb   Mar	18 NOTHONAL LONG (LFFE) Y100m 10  Open  Open  108.33  Mar 107.57  * LFFE contracts break  107.57  * LFFE contracts break  108.33  109.33  109.34  109.34  109.35  109.	Close Change  Close Change  on APT. All Open Interest (  1994   Index-Linked    1912   20; 78   110; 20; 78    1913   20; 78   110; 20; 78    1184   20; 78   1184   1184    1184   20; 78   1184   1184    1184   20; 78   1184   1184    1184   20; 78   1184   1184    1184   20; 78   1184   1184    1184   20; 78   1184   1184    1184   20; 78   1184    1185   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   1184    1186   20; 78   20; 78    1186   20; 78    1186   20; 78   2	High Low 108.50 108.33 107.84 107.65 109.85 107.65 109.85 107.65 109.85	Est. vol Open Int.  318 0 2579 0 7.  1994 100 2579 0 7.  1994 100 2579 100
Mar   Dec   Jen   Feb   Mar	*** NOTHONAL LONG (LFFE) Y100m 10    Open	Other Fixes  1994  Low  Low  8914  Manu-lished  1912  20: 76  344  452: 9831  1184  20: 76  372  1295  1184  20: 76  395  20: 76  313  20: 76  313  20: 76  313  20: 76  314  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  20: 76  315  32: 76  32: 76  32: 76  33: 76  34: 76  35: 76  36: 76  37: 76  38: 76  39: 77: 76  39: 76  30: 77: 76  30: 77: 76  30: 77: 76  30: 77: 76  30: 77: 76  30: 77: 76  30: 77: 77: 77: 77: 77: 77: 77: 77: 77: 7	High Low 108.50 108.33 107.64 107.65	Est. vol Open Int.  318 0 2579 0 y.  1994
Mar   Dec   Jen   Feb   Mar	18 NOTHONAL LONG (UFFE) Y100m 10  Open 108.33 Mar 107.57 *UFFE contracts breeze  108.33 1253 1254 8.59 1053 1254 8	Other of 100%  Close Change  on APT. All Open Internet I  1994  1894  1894  20c 76  30c 30c 70  30	High Low 108.50 108.33 107.84 107.65	Est. vol Open Int.  318 0 2579 0  y.  1994
Mar   Dec   Jen   Feb   Mar	18 NOTHONAL LONG (UFFE) Y100m 10  Open 100.33 Mar 107.57 *UFFE contracts break 107.57 *UFFE contracts break 107.57 *UFFE contracts break 105.53	Close Change  Close Change  In APT. All Open Interest I  1994  Low  1994  1994  1994  1994  1994  1994  20; 76  348  4 Jac 984  4 Jac 984  1194  20; 76  349; 7 Jac 10  1124  20; 70  313  20; 70  314  20; 70  315  20; 70  316  20; 70  317  318  319  319  319  319  319  319  319	High Low 108.55 109.36 109.36 107.84 107.65 107.65 109.36 107.65 109.36 107.65 109.36	Est. vol Open Int.  318 0 2579 0  9.  1994  1915  1916  1917  1918  1917  1918  1917  1918

F	T-ACTUARIES	FXED	INTERES	ST IND	ICES									•		."
	rice indices IX Gifts	Tue Nov 22	Dey's change %	Mon Nov 21	Accrued Interest	xd adī. ytd		- Love Nov 22	Nov 21	yfeld — Yr, ago	- Mediu Nov 22	Nov 21	rı yleid - Yı. ago	— High Nov 22	Nov 21	yteld - Yr; ng
1	Up to 5 years (23)	120.31	+0.02	120.28	2.02	9.83	5 yra	8.42	B.44	8.02	8.48	8.48	8.27	8.61	8.60	6.39
2	5-15 years (23)	140.38	+0.05	140.31	1.98	11.49	15 yrs	8.42	8.43	6.95	8.53	8.54	7.07	8.79	8.79	7.26
3	Over 15 years (8)	157.42	+0.09	157.27	2.87	10.87	20 yra	8.40	8.41	7.04	8.53	8.54	7.12	8.70	-8.69	7.27
4	irredeemables (6)	177.66	+0.22	177.27	0.90	13.47	irred.†	8.46	B.48	7.15		_		•	٠.	
Š	All stocks (60)	137.63	+0.05	137.56	2.15	10.83										
	ndex-linked		_							21 Yr.:			22 Nov			-
В	Up to 5 years (2)	186.77	+0.05	186.68	0.71	5.07	Up to 5 yrs	3.	88 3.	88 2	17	2	84 2.0	4 1.	30	• •
,	Over 5 years (11)	174.20	+0.08 -	174.06	1.15	4.38	Over 5 yrs	. 3.	84 3.	85 <sub>.</sub> 3.	13	3,1	35 3.0	16 2	9 <b>5</b> ·	
3	All stocks (19)	174.62	+0.07	174.48	1.11	4,41	-							٠	•	٠
_										d	15	war vis	M		was de	
D	ebentures and Loans	- 1		.:	_					Yr, ago						
2	Debs & Loans (77)	128,21	+0.09	128.10	2.03	10.27	_	9.66	9.56	7.59	9.52	9.53	8.03	9.49	9.50	. 8.19

Govt. Secs. (UK) 91.86 91.74 91.59 91.52 91.59 103.43 107.04 88.54 Gift Edged bergains 152.9 145.0 174.4 108.3	
	iov 15
	93.4 83.0
* for 1994. Government Securities high since complisher: 127.40 (91/35), low 49.18 (21/75). Fixed Interest high since complisation: 133.97 (21/1/94), low 50.63 (41/75). Besix 100: Government Securities and Fixed Interest 1928. BE activity indices rebessed 1974.	ities 15

Seminal   Semi	87% 9832 10114 9534 10034 102 88 8312 10045 94 10074 10074	Offer 875; 985; 1015; 1015; 1005; 1007; 1007; 1007; 1007; 1007; 1007; 1007; 1007; 1007; 1007;	140 140 140 140 140 140 140 140 140 140	8.65 6.08 8.18 8.10 7.71 8.56 7.78 9.02 7.24	United Kingdom 7 <sup>1</sup> 9 97 5500	964 101 942 207 867 110	10t 95 21 <sup>1</sup> 4	Chg.	5.73 7.90 7.84 7.68 6.48	Bolish Land 5% 23 2 150 Dermark 6% 98 2 800 BB 10 97 2 837 Heliac 10% 97 2 100 Harson 10% 97 2 500	92 <sup>3</sup> <sub>2</sub> 108 88 <sup>5</sup> <sub>2</sub> 94 103 <sup>1</sup> <sub>2</sub> 104 103 <sup>2</sup> <sub>3</sub>	255 1065 894 944 1035 1044 1104 1104	# # # # # # # # # # # # # # # # # # #
STEANGHTS  sury 5 <sup>2</sup> 29 1000  7 <sup>2</sup> 98 1000  enten 7 99 1000  1000  1500  1500  1500  1500  299 300  29 5 <sup>2</sup> 04 600  1900  29 300	87% 9852 101% 95% 100% 102 88 8332 1045 94 1045 1005 1005	875, 985, 1015, 1001, 1	***	8.65 8.08 8.16 8.10 7.71 8.55 7.78 9.02 7.24 9.34 9.40 7.84	United Kingdom 7 <sup>1</sup> g 97	101 94 <sup>1</sup> 2 20 <sup>2</sup> 3 86 <sup>2</sup> 6 110 98 <sup>3</sup> 4	10t 95 214 884 1124 1124 1124 1124 1124 1124 1	4	6.73 7.90 7.84 7.69 6.48	Abbey Neil Treasury 8 08 2 1000 Affence Leics 11 <sup>3</sup> g 97 2 100 Bolleh Land 67g 23 2 550 Derrank 67g 88 2 800 Ed 10 97 2 837 Helifex 10 <sup>3</sup> g 97 2 100 Haranon 10 <sup>3</sup> g 97 2 900	92 <sup>3</sup> <sub>2</sub> 108 88 <sup>5</sup> <sub>2</sub> 94 103 <sup>1</sup> <sub>2</sub> 104 103 <sup>2</sup> <sub>3</sub>	925g 1063g 894g 944g 1037g 1044g 1044g	# # # # # # # # # # # # # # # # # # #
7 <sup>5</sup> g 98 1000 enten 7 99 1000 <sup>5</sup> g 96 1000 1500 1500 15 <sup>2</sup> g 98 500 1000 2 99 300 2 99 300 2 99 1000 2 99 99 90 3 90 3 90 3 90 3 90 3 90 3 90	98 <sup>3</sup> 2 100 <sup>3</sup> 4 100 <sup>3</sup> 4 100 <sup>3</sup> 5 100 <sup>3</sup> 2 100 <sup>3</sup> 2 100 <sup>3</sup> 5 100 <sup>3</sup> 6 100 <sup>3</sup> 6 100 <sup>3</sup> 6 100 <sup>3</sup> 6	98% 101% 101% 101% 100% 102% 100% 100% 100	4444	8.08 8.18 8.10 7.71 8.56 7.78 9.02 7.24 9.34 9.40 7.84	World Blank 0 15 2000 World Blank 67g 03 3000 World Blank 87k 00 1250 SMBSS FFIANC STRAGGHTS Anion Day Blank 6 10 1000 Austria 47g 00 1000 Council Blank 6 18 250	20% 85% 110 95% 96%	214 884 1124 1004 964	ale ale	7.84 7.69 6.48	British Land By 23 2	885 <sub>2</sub> 94 103 <sup>1</sup> 2 104 103 <sup>2</sup> 8	1063 894 944 1033 1044 1044 1104	4
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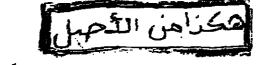
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--- 2.4 5% **Equit** and articles the state of the state of 22. Vin 22. Vin ----A CONTROL OF lines 15 de | 10 m |

Revival of US airline boosts GPA settlement of additional claims against air-Mr John Tierney, finance director, said: "We believe the company has now stabi-lised in terms of trading. We are beginning GPA's turnover rose from \$800m to \$1.07bn and the company had \$832m posito see improvements in the industry. We

tive cash flow from its operating activities.

Stanley as adviser and is hoping to negoti-

ate delayed repayment of \$1.8bn of debt due in September 1996. GPA is aiming for

major hurdle: the 1996 repayment." He emphasised that with recent dispos-als GPA's liquidity was the strongest it had been for more than two years, and therefore the company would be able to negotiate "without our backs to the wall"

banking facilities are more than \$100m.

However, GPA admitted that the aircraft

leasing market has not yet reflected the

generally improved demand for air travel.

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# COMPANY NEWS: UK

# **Abbey National retail** banking margins widen

A widening of margins in its retail banking business during the third quarter of this year was reported by Abbey National, the home loans and

banking group. In the three months to Sep-tember 30 Abbey said it had increased its share of net lending to the UK mortgage market to about 10 per cent. Its share of the liquid savings market was, at more than 10 per cent, higher than its more usual 8.5

Mr Ian Harley, finance director, said that the wider mar-gins partly reflected the fact that Abbey had eased its pricing of loans in the third quarter after a particularly successful first half of the year. The mix between fixed rate

mortgages, which accounted

for fewer than 5 per cent of

loan applications, and variable rate lending had also had an

Strong performances by its

main music and rentals divi-

sions belped Thorn EMI to lift

interim pre-tax profits by 27

per cent from £99m to £125.8m.

releases by the Rolling Stones and Pink Floyd helped push up

operating profits at EMI Music

from £89.9m to £101.3m on

sales of £877m (£778.3m) for the

six months to the end of Sep-

tember. Next week's release of

a double album of recordings

made by the Beatles in the

early 1960s for the BBC is

expected to contribute to a

Thorn Group lifted operating

profits from £52.6m to £57.9m

on the back of increased cost

efficiencies and new products.

Turnover rose from £714.5m to

£760.6m. In the UK, revenues

from the rental base were

ahead for the first time in

DIVIDENDS ANNOUNCED

strong second half.

The popularity of the latest

By David Blackwell

were not unique to Abbey and would apply to others in the retail savings and mortgage business, "though I like to think we've been ahead of the

A further widening of mar-gins could be expected for mortgage lenders in general over the fourth quarter, which would take account of the opportunity provided by the 0.5

percentage point interest rate rise in September. Competition for personal savings had also eased, since the lack of vigorous demand for home loans meant there was less pressure to attract large amounts of retail funds. Abbey's wider margins on the retail side have more than made up for the tightening of the spreads earned on its treasury investment portfolio,

because of competition for high

recent years, mainly because of

its interim losses to £2.8m

(£6.5m) after a 17 per cent sales

HMV, the music retailer, cut

Sir Colin Southgate, chair-

man, described the results as

"tremendously positive" and a

pointer to a good outcome for the year as a whole. "We could

not have asked for anything

better," he said, expressing

surprise at the market reac-

tion: the shares closed down

Total group sales fell to

£1.94bn (£2.06bn), including

sales from discontinued

operations. Sales from continu-

ing operations increased from

The operating loss at TSE,

the remaining technology busi-

nesses including Thorn EMI

Electronics, fell to £4m, against

£14.7m when there were signifi-

3.36

3.36

cant restructuring costs.

Dividends shown pence per share net except where otherwise stated. †On reased capital and as forec increased capital. \$USM stock. Inland currency. \*Second interim making 8.3 the interim dividend is 1p.

**Taylor Woodrow Investments, Inc.** 

U.S.\$50,000,000

**Revolving Credit Facility** 

Arranged by

**Hambros Bank Limited** 

Provided by

Den Danske Bank

**Hambros Bank Limited** 

Midland Bank plc

The Sumitomo Bank, Limited

Yamaichi Bank (U.K.) Plc

**BHAMBROS BANK LIMITED** 

24p at 973p.

Current Date of ponding for payment payment dividend year

Jan 18 Jan 20

£1.85bn to £1.93bn.

the Option-2-Own concept.

rise to £192.3m (£164.9m).

It also said that as the con-

tinuing downward trend of any last year.

quality assets.

Music and rentals help

Thorn EMI rise 27%

sions slowed, the level of provi-sions against bad and doubtful debts was approaching the bottom of the cycle.
This suggests that mortgage lenders in general will find fall

ing provisions will decrease in importance on the headline sure to find income growth. ness premium income from nine months of this year, there had been a small drop in

reflected the fact that the oper-

ation was launched in Febru-

the sale of its defence sensors

business to Racal Electronics,

and its other defence business

to Thomson-CSF of France.

The two divisions account for

80 per cent of Thorn EMI Elec-

It expects to complete the

sale to Thomson by the end of

the financial year in March.

Yesterday Sir Colin said he

hoped the sale to Racal would

Capital spending rose by

£50.2m to £308m. Sir Colin said

the group was expanding in

Europe, America, Australia

and the UK, and was investing

in new rental products and

new shops, as well as in infor-

mation technology and manu-

Earnings per share rose from

13.2p to 17.1p. After adjusting

for exceptional charges of

f13.1m, mainly related to the sale of Thorn Security in May,

earnings were 21p, up from

16.4p when exceptional charges

The interim dividend is 9.750

Parkside at £1.35m

Parkside International, the

maker of flexible packaging

and plastic labels which came

to the market in February,

reported pre-tax profits of £1.35m for the half year to August 31. Profits last time

Turnover rose to £16.7m

(£15.4m including £971,000 from

discontinued activities). Earn-

ings were 3.4p (4.6p) on increased capital and as forecast,

were £10m.

were £981,000.

(9p).

facturing in the music side.

also be completed by then.

tronics sales.

increases in pre-tax profits. This is likely to intensify pres-Abbey said that new busi-Scottish Mutual, one of its life insurance subsidiaries, was 15 per cent higher in the first against the trend of the life sector. Within this increase

## BTR condemns offshoot's window dressing

BTR, the industrial conglomerate, yesterday condemned the year-end balance sheet window-dressing" activities

of Pilkington's Tiles, one of its

subsidiaries. The move followed revelations that the financial controller at Pilkington's Tiles had sent suppliers letters asking them to wait for regular premium business. Over the same period Abbey invoice payments due at the end of November until after National Life, the other life offthe group's December 31 shoot, saw new business preyear-end. In return mium income more than dou-Pilkington's suggested it ble, although this partly would be willing to

> Such an arrangement would typically enable the participants to show stronger year-end balance sheets. Yesterday BTR said: "We neither authorise nor recommend letters of this sort. Optimising cash flow and managing working capital are

normal commercial practices for most efficient companies

and BTR is no exception.

reciprocate for suppliers.

"The BTR group as a whole is doing no more this year than it usually does. We are not concerned about our cash flow or gearing. The group has progressively reduced its gearing from 95 per cent at December 31, to 46 per cent at end of June this year." Asked what action, if any,

BTR intended to take against

examining the circumstances

its subsidiary, the company

added: "We are currently

in which the letters were issued." Analysts suggested yesterday that it was common practice for big companies to attempt to improve their cash flow and reduce their working capital. The Pilkington's Tiles' proposal, however, is embarrassing for BTR since it appears to go beyond the normal bounds of prudent

halance sheet management. It

government and Confederation of British Industry's

exhortations to big companies

also flies in the face of

### to reduce the length of time taken to settle bills from small and medium-sized businesses. **Trimmed McLeod** rises 23%

to £6.4m Shares in McLeod Russel rose 10p to 117p yesterday as the group reported increases in

operating and pre-tax profits of 57 per cent and 23 per cent

respectively for the year to

Profits for the group, which has interests in surface coatings, air filtration. environmental engineering and property investment, grew to £6.36m (£5.16m) pre-tax and £8.12m (£5.17m) at the operating level. Turnover expanded 24 per cent to £109.7m (£88.4m).

The year was one of

integrating and returning to profit the Wheway businesses, which it acquired in March 1993. Mr Paul Humphreys,

finance director, said: "We have done a reasonable job,

though there is still some

full return."

upside to come before we get a

While there had been no

huge hidden problems within the lossmaking environmental engineering company, he said the aggregate problems had been greater than expected. He added that McLeod had been accurate on the cash position. but that the profit side had With the aim of reducing the group's overdraft from last time's £17.8m, McLeod sold most of the non-core businesses. Various "sundry businesses" had been retained because they took little management time and generated cash and a decent

return on capital employed.

Mr Humphreys said. However

Blakes Marine Paints had been

sold because it was small, in a

different market sector, and a

£490,000, but borrowings were

reduced to £10.5m for gearing

of 31 per cent. Mr Humphreys

said the pressure was now off

trade buyer had made an

approach.

Losses on disposals were

that area. Interest payable, however, rose steeply to £1.31m (£490,000), reining in the pre-tax advance. Earnings grew by 1p to 8.54p and the final dividend is lifted to 3.45p (3.35p) for a total of

6.2p (6.1p).

# **NSM** backs Budge's assumptions One of Britain's largest independent coal

companies yesterday backed the assump-tions used by Mr Richard Budge, chief executive of RJB Mining, in his controversial 2914m bid for British Coal's English Mr John Jermine, executive chairman of NSM, which failed in its own bid for

the South Wales region, implied doubts behind RJB's bid could be exaggerated. "I do not think it is beyond reason that Budge's assumptions will work out," he Mr Jermine said he was optimistic about the outlook for coal in spite of two widely publicised threats to the UK indus-

try - imports and the potential shift from coal to gas-fired power stations. Mr Jermine said coal was the cheapest fuel for power stations. The generators "still make more money from coal than

from any other source of energy," he said.

RJB and Mr Richard Budge, its

The problem is that RJB is

thought by some analysts to

have overestimated the size of

the post-1998 market by about

are at the high end of the

1998 market is central to RJB's

RJB can with relative ease

efforts to raise up to £1.05bn to finance its £914m bid (the price

is subject to negotiation).

An assessment of the po

likely outcome.

imports are expected to become increas-ingly expensive as transportation rise. "Our prices in the UK are already broadly competitive with imports on a secured stream of coal," he However, he attacked the delay by the

Coal Authority to reduce the royalties it

receives from independent coal miners. These have over the last 18 months fallen from £5 to £2 per tonne for open cast coal. However, a further expected reduction to 50p, which would make UK coal more competitive with imports, had not yet been implemented. Mr Jermine's comments on the British Coal bidding process almost overshadowed his own company's buoyant perfor-

mance in the first half and its promise to

dividend, in light of the continuing improvement in the trading performance. Profits in the first half were helped by a record year in the plant hire business, and by lower interest charges of £3.4m (£3.94m) after the £40m rights issue in

The US mining division almost trebled

pre-tax profits from £959,000 to £2.3m

largely due to reducing costs. Prices in the US remained under pressure, and were not expected to improve until industrial activity picked up. In the UK, mining profits rose by 28 per cent to £4.4m. About three-quarters of NSM's UK mining turnover comes from low margin contracts with British Coal. However the bulk of profit came from

NSM's own mines which supply UK utili-

ties on fixed contracts which run to pay the first dividend since 1990. Pre-tax profits for the six months to September 30 1998. Earnings per share almost doubled from rose by 22m to 22.7m, on sales 9 per cent 3.5p to 6.9p. There was no interim payout

### Putting £1bn down the mines Michael Smith on RJB's controversial bid for British Coal's assets English ESI Requirements for Coal

Pritish Coal may have faced a serious decline in its markets for most the company will fail to produce the £220m a year pre-tax profits it believes are achievable by the end of the decade. of its 47 years of existence, but there is no chance of that hap-This would jeopardise dividend pening to RJB Mining, the growth, with a consequent company chosen as preferred impact on the share price. It is not just investors who bidder to take over its English mining assets.

That at least is the view of

chief executive, and explains why it offered the government so much more than its rivals. Even after 1998, when conon privatisation, already under fire from opposition parties, tracts inherited from British Coal run out, the company assumes it will be able to keep would suffer a further knock. sales steady at about 34m But isn't this all too apocatonnes a year from the three lyptic? Surely RJB and its regions it is buying, much the adviser Barclays de Zoete same as the 35m tonnes next Wedd, not to mention the gov-

40 per cent and compounded the error by assuming prices Financing Structure will be 20 per cent higher than of the Bid they are likely to be. Even some coal and electric-Value of tender ity industry executives who Total financing \*\* regard themselves as optimists - bank debt think the "conservative" estimates that underpin the bid equity

persuade banks to lend some The inherited coal contracts need for closures have proved with electricity generators pro-vide a reasonable likelihood to be accurate. child managing director, is that the bulk of the debts can be paid back within three However, RJB's success in raising up to £425m through a share issue depends to a large

extent on expectations of the

company's prospects after 1998.

than £160m at its suspended stock market price, says it can

offer potential shareholders

dividend yields of about 4.5 per

cent in the early years. That is

unlikely to draw in many

investors, however, since it is

The company, worth less

only around the stock market An investment in coal is perceived as risky.
RJB's big bait, therefore, is the policy, outlined to institutional investors in a series of

presentations, of "rapid divi-

dend growth after reduction of

If the pessimists are right,

debt" - mainly after 1998.

By Simon Davies GPA, the Irish aircraft leasing company rescued from collapse last year, returned to profit forthe six months ended September 30. The turnround was because of setemerged from bankruptcy.

boosted by a \$32m exceptional credit. A

\$57m loan to America West has been

repaid, and the \$32m credit related to the

non-executive director of Hartons Group yesterday resigned from the board of the

would suffer, however. Parts of Britain's coal base could be lost for ever, according to pes-simists, as RJB struggled to make enough money to invest The government's reputation

ernment's adviser, NM Rothschild, cannot all have got it In the past, Rothschild has been viewed as pessimistic

existing bank debt, working capital and costs ' subject to negotiation with the government and likely to fall about the coal market: its predictions three years ago on the size of the pre-privatisation

market and the subsequent

Mr Keith Palmer, a Roths-

includes refinancing of RJB's

100

thought to be in broad agreement with RJB's view of the post-1998 market In its City presentations, RJB uses figures supplied by Caminus, the consultancy which advised the government in the coal review, for the worst and best scenarios for the English electricity supply market after 1998. The favourable case, for 54.6m tonnes including imports, will set shareholders' pulses racing

since it could provide the base

for pre-tax profits even higher

than the £220m RJB is project-

For sake of prudence they

will also need to examine the "conservative" figure of 27.6m

tonnes. According to some

industry analysts, including McCloskey Coal Information, which provides editorial for FT

newsletters, even this is too

ing in 1999-2000.

Cost Year ended March 31 1994/95 1999/00 M/tonnes of coal equivalent Electricity Generation 122.3 (England and Wales) Scottish Link French Link Stock Withdrawal Orimulsion Heavy Fuel Oil Total Non-coal Available to English Suppliers

capacity available to English less and British Coal execusuppliers is about 6m tonnes tives believe that is nearer the too optimistic mark. It believes RJB has under-es-Another rival bidder for timated the market share of some of the five regions, whose nuclear power and import tender also failed, says RJB links from Scotland and France may be able to sell coal for an in the late 1990s, as well as the average of £1.32 a gigajoule in penetration of imports in 1999-2000. It also considers 2000 and it may be able to sell 33.8m tonnes. "But I can't see

high. McCloskey says RJB's bid for the two central England

"cautious" estimate for annual

RJB's estimates for the domes-

tic and industrial markets to

Industry executives adopt

varying attitudes. According to

Assuming RJB is right, the

total market for coal in its con-

servative case is 35.5m tonnes.

To achieve its aim of making

£220m in 2000. RJB believes it

can sell 33.8m tonnes. That

leaves little room for rival com-

power station coal will be

Generator executives believe

about £1.25 at today's prices.

that is too optimistic, since

coal can be imported at prices

of less than £1 a gigajoule. Coal Investments based its failed

which suga

one power company executive 1997 and if he decides to go for high prices, he will have to cut the overall impression of RJB's conservative case is that it volume. Coal mine closures does not allow for the worst will be expensive." possibilities for coal. But nor Mr Budge thinks otherwise. does he see the projections as In his institutional presentations, he points to rising prices "way off beam". This is supported by figures in the sevenon the international market year plan at the National Grid. and the expense of getting power transmission company, imported coal to the inland est coal burn in the year 2000 will be between 25m

them.

regions on prices of £1.10 or

how he can do both. If he

wants to sell high volumes

then he must keep prices low.

"The worst thing is that he will discover all of this around

He adds that if the worst

came to the worst and the company did have to reduce capac-

ity, it would not be a disaster.

There would be little need for

closures because opencast pro-

duction, rather than that from

deep mines, could be varied.

his projections rather than

those of his critics. Supportive

comments, like those made

yesterday by Mr John Jermine, executive chairman of NSM,

another coal company, will add

to the Budge bandwagon.

Nor would redundancy costs panies, such as Coal Investbe high since the industry ments and Ryan Group, which will be fighting hard for maremploys several thousand conket share and may drop their prices to get it. Yet RJB's pro-With so much adverse pub jections for prices are also at the high end of expectations. licity. Mr Budge and his advisers still have to do some per-Mr Budge believes an aversuasive talking to be sure of age selling price of £1.32 is rearaising the money they need sonable and has been telling But Mr Budge is impressing institutional investors that he investors and there are signs that institutions are believing believes the average price for

#### This included \$525m from the sale of aircraft, partly through a previously agreed sales programme to GE Capital. tlements received from the revived US airline America West, which recently Borrowings fell by \$358m to \$5.13bn; Pre-tax profits amounted to \$5.3m however, this compares with shareholders' (£3.23m), compared with a \$39m loss, after funds of \$192m. the payment of \$171m interest on its \$5.13bn debt mountain. The figure was The company recently took on Morgan Cash balances are \$313m and available

an 11-month extension.

Hartons director agrees

semi-finished plastics distribu-tor, one day after the board called an EGM to unseat her. Mrs Monica Maimann agreed to step down and sell her family's holding of 24.3m shares, representing 33 per cent of ordinary shares. Singer & Friedlander, the

company's financial adviser,

said it would attempt to place

the shares at no less than 8p before December 22, when Mrs

Maimann would be free to sell

her shares independently.

Two weeks ago, Hartons said negotiations between two main shareholders and a third party could result in a full offer for the group. The deal was thought to involve a price of 8p per ordinary share. The ordinary shares closed

unchanged at 7p yesterday.

Hartons, which has incurred

losses for the last four years, reported a £325,000 pre-tax defi-

cit on £25.7m turnover in the

have been appointed: Mr Julian Bell, non-executive

director of Ipeco Holdings, and

Mr Barry Skipper, non-execu-

tive director of Warburtons.

Two non-executive directors

six months to June 30.

BUSINESSES FOR SALE to resign and sell shares Appear in the



**BAe** 

attacks

**GEC's** 

export

record

By Bernard Gray,

Defence Correspondent

vesterday attacked its

military exporter.

competitor's record as a

In a document sent to

sharebolders alongside its

revised offer for VSEL. BAe

have grown from an annual

£1bn to about £3bn over the

military exports have only

grown from £400m to £700m.

highlights that GEC has only

won one export order for two

warships to Malaysia in the

Thornycroft, a competitor in

small warships, has increased

its export business from £40m

The UK lags behind French

and German warship yards for

Australia, Greece, New Zealand, Saudi Arabia, Taiwan

and Turkey, according to the

As well as attacking GEC's

VSEL unnecessarily eliminates

competition between warship

makers, and runs counter to

competition policy. It quotes

the ministry as saying that

The Office of Fair Trading is

considering the connetition

merits of both bids. It is not

raised significant objections to GEC's bid with the OFT. GEC

thought that the MoD has

has argued that little real

competition will exist in UK

shipbuilding whoever owns

the allegations made in the

document. However, the MoD

the prospect of a full-scale war

of words breaking out between

BAe also claims that GEC's

abilities as a prime contractor

are unproven while it has a

attacks GEC's record on the

However, GEC was not the

contract which was run by the

The formal document also

confirmed that BAe's cash

offer had been increased to

match GEC's at £14, and is

VSEL share, up from 2.747

shares in its original offer.

amended to allow BAe to huy

the company provided it wins

VSEL's articles of

ssociation have been

offering 3.3 BAe shares for one

prime contractor on this

strong track record, and

Nimrod radar contract.

is thought to be disturbed by

GEC declined to comment on

the Ministry of Defence's

"competition is the

procurement policy"

cornerstone of our

export record. BAe continues

to argue that GEC's bid for

exports to countries such as

a year to £140m in the same

nast 10 years while Vosper

past decade, while GEC's

The document also

points out that its export sales

British Aerospace, which is

fighting GEC for control of

VSEL, the submarine maker.

# Northern Foods declines 16%

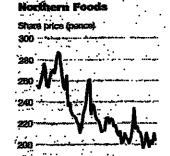
By Roderick Oram,

Northern Foods warned that plant closures and job losses would force it to take a restructuring charge in the second-half as it reported a 26 per cent drop in interim pretax profits from £72.1m to

The dairy and foods manufacturer blamed the setback on rising milk costs and intense pressure on its selling prices

Milk costs were up 10 per cent or £50m after price increases by the Milk Marketing Board and Milk Marque, its successor. Mr Christopher Haskins. Northern's chairman, attacked Milk Marque for "its abuse of monopoly power".

Northern's profits are expec ted to fall by about £15m this



hoped to recover about half the increased costs through higher prices. The rest will come from closures and other cost-

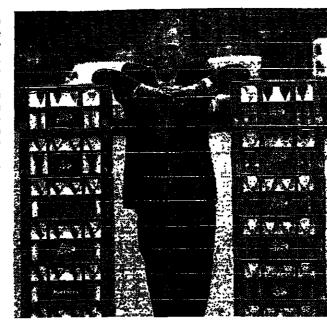
Analysts, who estimate the restructuring charge could be about £30m-£35m, were disappointed that it would also cover non-dairy areas such as cutting van distribution to small retailers and rationalisation of meat production. The shares closed down 8p at 204p.

Operating profits fell 11 per cent to £72.6m in the six months ending September 30. Interest charges were £7.4m (£9.8m) and there was a £11.5m loss on disposals.

Dairy operating profits fell 14 per cent to £34.5m on unchanged sales of £476.4m. Doorstep milk sales fell by 12 per cent while supermarket sales rose. Home milk sales were likely to fall from 45 per cent of Northern's total milk sales to 30 per cent.

Convenience foods fell 18 per cent to £18.2m on sales down 2 per cent at £262.3m. Factors included lower bread sales, start up problems at a Manchester plant and reduced sales from its delivery vans to small shops. However sales volumes to Marks & Spencer rose 5 per cent and sales to it and three other large chains, J Sainsbury, Tesco and Asda, now accounted for 35 per cent of

Meat products fell 16 per



Christopher Haskins: Milk Marque abusing its monopoly power

cent to £8.2m on sales down 2.6 per cent to £125m. Progress with large chains offset declining sales to small shops and

Grocery profits rose 25 per cent to £11.9m on sales up slightly to £106.6m. Fox's biscuits, the bulk of the division, increased its market share by half a percentage point to 6.5

The interim dividend was unchanged at 3.5p from earnings per share of 6.37p (9.37p) or 8.37p before exceptionals.

COMMENT

These disappointing results show that Northern has a lot of remedial work to do across the group. Moreover, it is revisiting long standing problems such as doorstep milk delivery and van sales. Pre-tax profits this year of about £130m, before provisions, are possible for earnings of 17p and a sector typical prospective p/e of 12. With no prospect of earnings growth for 12-18 months, the shares will live on their 5% per

# Cathay in profit

Cathay International, the China-oriented investment group, yesterday announced a pre-tax profit of £1.57m in the six months ended September 30. against a £515,000 loss.

The Landmark Hotel, in the Mr Stephen Hunt, deputy

chairman, said the hotel experienced 75 per cent occupancy in October, with room rates gradually being raised, and revenues starting to come profit in the six months to | through strongly from its food and beverage operations.

the proposed 500,000 sq metre redevelopment on an adjoining

Guangzhou (Canton).

the support of a majority of shareholders. A similar meeting of VSEL sharehol to allow GEC's bid to go through is scheduled for tomorrow.

Recovery reflects cost cutting at Pilkington

The glass maker has finally found favour with the City, writes David Wighton

The City has found little good to say about Pilkington's management since it fought off BTR's £1.2bn bid way back in 1987. However, the tune has finally changed. Yesterday analysts were full of praise, particularly for Mr Roger Leverton who was brought in as chief executive in July 1992.

"They deserve a lot of applause for what they have done. For Pilkington, the recession has been a good experience," said Mr Robert Donald, of NatWest Securities.

The recovery in half-year profits owed much to an improvement in Pilkington's main markets. But management action also deserves Criticised for being slow to

cut costs at the onset of the recession, the company has since set about the task with a will. Almost £300m has been taken out of costs over the past four years with £42m; or 4 per cent, going in the six months to September. About 600 jobs went in the first half and another 1,000 are set to go before the end of the year.

The brisker than expected cuts and a strong performance in Brazil pushed Pilkington's profits comfortably above analysts' estimates. As a result, NatWest increased its full-year forecast from £119m to £140m. before disposal gains, and from £200m to £220m in 1995-96. For the following year it predicts profits not far short of the 1989 oeak of £330m

That will require a continuation in the price recovery being

shown in most of Pilkington's <u>maia markets.</u>

The main weak spot is Germany where prices for double glazing units are still sliding despite strong demand. Although the German float glass price is still 40 per cent below its 1989 level, two price rises have pushed it up by about 10 per cent this year. But this has not arrested the decline in downstream prices. "We have just put in another 5 per cent increase in float to try to force manufacturers to increase their prices. There is a limit to how much cost

said Mr Leverton. He points out that the capacity situation can change quickly. "In the US there was a lot of surplus capacity 18 months ago. Now we are running at 100 per cent, with

increases they can absorb,"

shortages in certain areas." This has followed rapid growth in demand for value-added products, such as Galaxsee, Pilkington's "privacy" glass for cars. Currently all the rage among fashion-conscious US car buyers. Galaxsee takes up more capacity and commands a premium price.

Despite recent disposals Pilkington's balance sheet remains stretched. Gearing, which reached 86 per cent following the purchase of Heywood Williams, was cut to 66 per cent at the end of the first half. But the company will fail to hit the year-end target of 50 per cent, partly because of the postponement of the partial flotation in

restated its balance sheet to take account of revised accounting standards relating to US retirement benefits. This

has reduced shareholders'

funds by £100m, adding 7 per-

centage points to gearing. However, interest cover wid-ened to more than two times in the the first half and Pilkington remains determined to work out its debts without

resort to a rights issue.
Its capital expenditure is running well below deprecia-tion following the huge investment in new capacity in the late 1980s. Pilkington's main current projects are in South America, where it is building a float glass plant in Chile and a third line in Brazil. But there are some slightly ominous moves by its rivals elsewhere.
At least two new float plants

are planned in the US, where car production is about to peak, and two large European distributors are planning to move upstream with a float plant in Alsace.

There is a long way to go yet, but when Pilkington's iness peaks again, that will

# **Lowndes Lambert lifted to** £6m by rise in new business

Insurance Correspondent

Despite increased competition in its sector, Lowndes Lambert, the London-based insurance broker, increased first half pre-tax profits by more than 15 per cent to £6m. The group attributed the rise

to growth in new business. Profits were also boosted by a first contribution from Whiteley Henshaw Hindle, a UK insurance broker, acquired for an initial £4.65m in June.

tax profits for the six months to end September increased

By Joan Gray

**Utd Breweries refinances** 

and buys Inn Business

Breweries, the

financially troubled public house operator controlled by

Mr Vijay Maliya which has had

its shares suspended since September, has finally come to an

agreement with its bankers

Following support by Mr Mallya's UB Group of India

and an unnamed institutional

shareholder, a refinancing has

been agreed which will be

accompanied by a capital reor-

ganisation, a placing and an open offer to shareholders.

about a refinancing.

from £5.2m to £5.8m. Total turnover rose from £37.2m to

Mr Richard Shaw, chairman, said conditions in the group's main markets remained difficult, but he expected "further steady progress" in the second half. The group announced a reorganisation to remove overlaps between businesses and to focus UK activity into three divisions: UK non-marine, marine and international.

Lowndes' growth was largely

Mr Shaw said Lowndes would be well placed to take advantage of any shake-out in the insurance broking sector resulting from increased com-

which had debts of £9m in September, is not disclosing the

sum it hopes to raise, but the

shares will be offered at sub-

stantially below the current

suspended market price of 6%p.

Business, a privately-owned

public house operator with 70

houses. The deal – for an

undisclosed consideration -

will more than double the

number of public houses oper-

UB is also to acquire Inn

petitive pressures and the trend by many large companies towards buying fee-based, rather than commission based

based on "middle-tier" compa-nies which continued to benefit from the broking services the group offered, he said. The group announced a 10 per cent increase in its interim

dividend to 2.75p (2.5p). Earnings per share rose to 6.9p against 6.1p last time.

The shares closed 9p higher impressed at the group's per-formance in tough conditions.

**Ouiligotti back** 

in the black Quiligotti, the terrazzo floor tile manufacturer, returned to September 80. The £230,000 pre-tax result compared with a £1.27m loss last time and a £2.58m loss at the year-end.

Mr Ken Hodgson, chairman, attributed the turnround to the new management team, saying that it had "paved the way for the future". The purchase of R Cristofoli in April resulted in goodwill of

ated by the group. £294,000. The group originally breached its banking cove-nants last April after a £7.2m ahead at £7.55m (£7.01m). Earnings per share came out at 0.59p (16.45p losses), with write-down in the value of its The USM-quoted company, public houses. no interim dividend.

# at midway

By Simon Davies

The company is involved in two substantial China investment projects that have been held up by Beijing bureaucracy. Operating profits however, rose from £168,000 to £2.03m on revenues from its two hotels.

Southern Chinese city of Shenzhen, contributed only 3 months of revenues, following its official opening on June 21.

The Xiyuan hotel remained profitable, but progress with

site has been slow, The company has received formal approval for its \$143m (£87.1m) investment in a 60 per cent stake in a franchise to operate four toll bridges and a tunnel within the city of

Barnings per share amounted to 0.025p (0.267p loss), but there will be no divi-

# Hydraulics side lifts Sterling

Boosted by "strong growth" in the hydraulics division, pre-tax profits at Sterling Industries, the engineering group, leaped from £1.69m to £3.37m in the six months to September 30. Cayzer Trust Company and Caledonia Investments own 48.8 per cent and 21.1 per cent holdings respectively in the

cross-holding of 9.7 per cent in Caledonia. Mr Peter Buckley, chairman, said the hydraulics side had

group, while Sterling has a

roved margins. The group had been developing a new range of valves - solenoid, in particular and some of the increase was attributable to new products coming on stream,

sales", which had led to imp-

The thermal process division, accounting for about two-thirds of group sales, also lifted profits substantially, though while the increase in the US was good news, the difficult trading in Germany and the UK was bad. However, Far Eastern con-

tracts, derived from the Ausexperienced "good growth in tralian operation and achieved through "effective marketing of our fibreglass know-how", gave a boost to the division's Group turnover grew sharply

to 228.2m (£18.3m) and operat ing profits swelled to £2.26m (£422,000). Investment income including dividends from Caledonia, and minus interest payable was £1.11m (£1.01m). Earnings rose to 8.81p (4.62p) and the interim dividend is

lifted to 2.5p (1.8p), though some 0.4p of the rise is to establish a better balance between the interim and final

# Royalty loss hits Kewill shares

Shares in Kewill Systems fell 32p to 244p on the news that the USM-quoted software group stands to lose \$500,000 in royalty income in the second half, following the collapse of Microway, its main distributor in Germany.

The company, which distributed Kewill's CAD-CAM building services systems, was put into receivership last week.

However, Mr Kevin Overstall, chairman, said he was confident that "any sales shortfall will

Mr Overstall also admitted that the group's marketing link with IBM was not yet generating the big orders originally anticipated, with lead times longer "and maybe a year or so out". Meanwhile, pre-tax profits at Kewill Systems advanced 23 per cent, from £1.76m to £2.17m, for the half year to September 30. Turnover edged ahead from £16m to £16.4m.

UK operating profits improved 25 per cent to £1.49m. Profits in the US were 60 per cent ahead at £720,000, assisted by the "strong performance of the US economy", said Mr Overstall. Group operating profits rose 24 per cent to

£2.44m (£1.97m). Net cash stood at £600,000 at the period end. A

maiden interim dividend of 2.5p is declared on earnings per share of 12.16p (10.15p). **NEWS DIGEST** 

### **CONTRACTS & TENDERS**

### INVITATION TO TENDER THE GREEK PUBLIC ESTATE CORPORATION.

legally authorised by the Greek Telecommunications Authority Insurance Fund (TAP-OTE), invites tenders to compete for the grant of a 20 year duration lease of MACEDONIA PALACE HOTEL. Class A-LUX (Five Star), property of the above mentioned Fund.

The Hotel building comprises 288 rooms (538 beds) and it is situated on a 14.500m² parcel of land by M. Alexandrou Ave. (coastal promenade) in

1. The following categories of firms are eligible to compete. 1.1. Hotel firms which have been engaged in Hotel business

(4 or 5 star Hotels) for at least three years. 1.2. Joint Venture Hotel Enterprises which have been exclusively involved in Hotel business. At least one of the associate firms must satisfy the conditions

outlined in L.L. above. 1.3. Firms, individuals or associates, participating in joint venture firms, which are at the moment in legal battle procceedings against the owners of the Hotel (TAP-OTE) are not eligible to

take part in the competition. 2. All competing parties must submit an application form and certified copy documents to the authorised Auction Committee. All documents must be completed/translated in the Greek language.

3. The auction will take place in the City of Thessaloniki inside MACEDONIA PALACE Hotel premises on 18 JANUARY 1995 from 09.00 hours to 14.00 hours.

4.1. First year rent: First year rent is fixed at the sum of one billion drachmas (GRD 1.000.000.000) and will be paid upon the

signing of lease contract. 4.2. Second year rent:

Commencing rent for the second year of the lease period is fixed in the amount of GRD. 600,000,000. Each offer submitted in writing must be fixed at least 5% above this said commencing rent. The amount to be determined at the conclusion of the written or oral

4.3. The above mentioned second year rent will be reviewed annually on R.P.I. basis, until the end of the lease period.

5.1. The highest bidder at his own expense must undertake the

(a) Renovate the hotel premises in full, internally as well as

following works:

'n

auction procedure will be the second year's rent.

signing of the lease contract.

(b) The lessee, following signing of the lease contract, must keep in good order and properly maintain the hotel premises throughout the lease period.

externally, within a period of 24 months from the date of the

5.2. The hotel will operate on a full calendar year basis as a five star establishment. The lease period will be for twenty (20) years. A bank guarantee letter in the amount of GRD. 250,000,000

is required to enter the auction procedure. All relevant supporting documentation which includes floor plans. specification details, draft lease documents, etc, can be made available and be delivered to an authorised representative of the interested firm/enterprise upon payment of GRD 200.000. All relevant documentation may be obtained from GPEC'S offices 158A. Alexandras Ave., 115 21 Athens, during working hours (Please contact Mr. C. Kourtis 00301 - 642.57.55 or

Mr. G.Sakelariou 00301 - 644.03.14). Additional plans may be made available on request upon payment which is related to the category of the plan required. There is no

charge for the Invitation to Tender full document. 9. Additional information or clarifications in relation to the Auction Documents may be requested only in writing following regular application procedure. Application forms, may be submitted not later than 22 DECEMBER 1994. GPEC will reply to all applicants or their authorised representatives in Athens, by fax. GPEC's written response will bound all parties participating in the auction procedure. All replies will be deemed as complementary documents attached to the Invitation to Tender document.

> THE CHAIRMAN OF THE BOARD OF DIRECTORS

ATHENS 7 NOVEMBER 1994

**EVANGELOS CHRYSAFIS** 

# Turnround of £1.66m

at Moran Holdings, Moran USM-quoted provider of management, financial and tea agency services, reported pre-tax profits of £1.39m for the year to June 30 against losses

The results reflected the group's reorganisation, said Mr Peter Theobald, chairman. Mr Theobald added that the directors were negotiating an acquisition that would make a 'significant contribution" to the surface forwarding division's prospects.

Turnover of continuing operations rose to £49m (£45.9m). Earnings per share emerged at 6.74p (16.64p loss) and steps were being taken to eliminate the deficit on the profit and loss account, Mr Theobald said, so that dividend payments could be resumed. The shares closed 8p higher

Birkdale in black

at 62p.

With all its principal operating companies showing profits, Birkdale Group, the advertising and marketing consultancy, returned to the black with pre-tax profits of £142,000 for the six months to September 30, against losses of £1.47m. Turnover was £7.47m, com-

pared with £11.6m which included £4.97m from discontinued activities. Underlying turnover growth was 12 per

Earnings per share were 0.2p, compared with losses of

### Atkins cuts losses Atkins Group, the Leicestershire hosiery manufacturer,

cut losses from £96,000 to £49,000 in the six months to October 1, on reduced turnover of £8.23m, against £8.81m. Last year's result however. included a £168,000 deficit on the closure of the fabric dyeing operation. Basic losses per share were 1.11p (2.1p) and the

at 3.85p. Mr Charles Lenox-Conyngham, chairman, said the hosiery division performed creditably in an increasingly volatile market.

interim dividend has been held

Shires Investment

Shires Investment's net asset value per share slipped to 260.4p at September 30 against 292.2p at the March 31 year-end. Fully diluted, the fall was from 284.4p to 256p.

Net attributable revenue for the six months improved to £2.3m (£2.24m) for earnings per share of 8.42p (8.81p). A second interim dividend of 4.2p makes an unchanged 8.3p so far.

CML shares fall

Shares in CML Microsytems, the traffic control equipment manufacturer, dropped by 20p to 248p on the announcement of only a modest increase in first half profits and a warning from the chairman that any improvement in the overall result was unlikely in the current year.

Pre-tax profits for the six months to end September rose per cent from £1.65m to £1,7m, on turnover up 13 per cent from £8.42m to £9.55m. Earnings per share came out ahead at 6.39p (5.74p).

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Laird Group, the manufacturer

of automotive components and

building products, has launched a surprise £68m

rights issue to fund a heavy

programme of capital expendi-

ture and acquisitions amount-

ing to some £80m by the end of

The move was unexpected,

given that the group's gearing is estimated at around 24 per cent, and that Laird is not

looking at any substantial pur-

However, Mr Ian Arnott,

chief executive, said: "We've

always had conservative

long-term financing policies. We are setting up a strong

financial framework for the

The announcement was

accompanied by a pre-tax prof-

its forecast of at least £46m for

1994, at the upper end of City

automotive sales in Europe, after a bleak 1993. Further ben-

efits were being reaped from

acquisitions outside the auto-

Laird's 1-for-5 rights issue is

priced at 295p, representing a

motive industry, he added.

By Ian Hamilton Fazey,

September 30.

office block.

Cosalt

maintains

An improvement from its four

main divisions enabled Cosalt

to maintain its recovery with a

pre-tax profit of £2.58m for the

year ended August 28, against

23.59m (£1.86m) and included

fibres £845,000 (£426,000); safety

and protection £769,000

(£563,000); holiday homes

£1.64m (£649,000) and workwear

Discontinued activities

incurred losses of £10,000

(£673,000) on turnover of

£590,000 (£8.27m) included in a

total figure of £68.4m (£69.2m).

Earnings per share were 14.17p (2.72p losses) and the

final dividend is 5p for a total

The shares rose 19p to 154p

£684,000 (£295,000).

m cont activities nearly doubled to

a £232,000 loss previously.

recovery

Northern Correspondent

Whitecroft, the Cheshire-based

lighting, textiles, building

products and medical cotton

fibres group, yesterday reported a sharp increase in

pre-tax profits from £1.82m to

£8.74m for the six months to

However, £5.91m of this

came from the disposal last

April of Whitecroft's option to

renew its lease on a Stockport

Stripping this out gives a property markets.

Mr Arnott said there were

future."

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CVII shares fall.

HILL STATE

Tex back in black Tex Holdings, the supplier of consumables to the plastic, steel and energy industries, returned to profits in the six months to September 30 with

of 8p (5.375p).

vesterday.

3.5 per cent at £12.7m, against At the midway stage last time there were profits of £486,000 but the full-year figure

£283,000 pre-tax on turnover up

Ian Arnott: setting up a strong financial framework for the

£80m programme of investment and acquisitions lined up for 1995

Laird plans £68m rights issue

17 per cent discount to Monday's closing price of 356p. The shares fell 6p yesterday. The company had rights positive signs of a pick-up in issues in 1989 and 1992, both primarily to fund capital expenditure. One analyst said: "I would like to see the company demonstrating that it can fund internal expansion from its working capital."

However, Laird is partly

fairer picture of Whitecroft's

success at restructuring, after

its near-collapse in the reces-

sion. Operating profits were 55

per cent ahead at £2.83m, on turnover only 10 per cent up at

Earnings per share were

boosted to 16.7p (3.6p) as a

result of the exceptional item,

which accounted for 11.7p. The

remaining 5p, however, has encouraged Whitecroft to pay

its first interim dividend - 1.5p

- since the recession caught

the company badly exposed in

fell to £273,000 after reduced

project income and provisions

The company said that it had

recently been notified by a cus-

tomer of the possibility of a

substantial claim which it

Earnings per share came out

31, compared with 92.9p at the

July 31 year end and 100.4p 15

oil and gas production in Can-

ada and the US, reduced its net

deficit from £3.01m to £240,000

in the year to the end of July.

Losses per share were 0.68p

holding in Atlantis Resources

resulted in proceeds of C\$23.4m

of the company's net assets.
In the three months to Octo-

TDS raising £1m

at 10p each.

TOS Circuits, the USM-traded

printed circuit board maker, is

raising film, net of expenses,

by the placing and open offer

maker certain capital invest-

of 10.7m new ordinary shares

Funds raised will be used to

The disposal last week of its

The trust, which invests in

for exceptional costs.

N American Gas

would defend.

months earlier.

(8.540).

at 3p (5.1p).

£66.7m (£60.8m).

reacting to strong demand. leading it to invest in extra capacity at Fullarton, its US subsidiary supplying the personal computer industry, and its car body seals operation in

In the past two years, Laird has nushed ahead with diversification outside automotive products, making acquisitions in printing and packaging,

By stressing the exceptional nature of the results, White-

croft is dampening expecta-

tions that however successful

it is in its normal markets, the

company may not be able to

match this financial perfor-

It has given its investors a

roller-coaster ride for the last

executive, said disposals and

mance next year.

window security and plastics. Mr Arnott said Laird would like to build up 50 per cent of its profits from non-automotive products, and this would absorb substantial capital expenditure.
At the end of October, the

group had net borrowings of £53.8m, and these would have started to increase sharply. Laird's forecast of a 20 per cent increase in pre-tax profits

was accompanied by a forecast final dividend of 6.9p (6.5p), putting the shares - at yester day's close - on a p/e of close to 14 and a yield of 3.2 per cent

COMMENT

Rights issues with no immediate justification are always hard to sell, but Laird Groun's offering is at least in keeping with the conservative character of the group. The offer will dilute earnings per share in 1995, since Laird is investing in projects with a long-term pay back. Analysts pushed up profit forecasts to around £57m for 1995, giving a prospective p/e of 13.4. However, despite economic recovery in the US and UK, profit margins remain under pressure and the shares

Exceptional lifts Whitecroft to £8.7m ten-down property portfolio have reduced borrowings to under £10m and gearing to 29 per cent. A year ago, gearing was 119 per cent and borrow-

ings £30m. All divisions made operating profits, with lighting the star performer at £2,32m (£1.89m). Medical cotton fibre - used in tampons and medical products made only £567,000 (£1.06m) because of a 50 per cent rise in world cotton prices. Passing some of this on to customers saw sales volume drop by 7 per

sales from Whitecroft's writ-

four years. but is stressing that future profit fluctuations should be temporary or techni-Mr Mike Derbyshire, chief

**NEWS DIGEST** 

capability.

ments in order to increase both capacity and technological All the new shares have been

conditionally placed by Henry Cooke Lumsden with the company's controlling shareholder, Zincocelere, and are subject to recall under the open offer. Terms are three new ordinary for every 10 ordinary or two new ordinary for every one convertible preferred share held.

North American Gas Investfallen to less than £1.6m at the per share of 94.4p at October end of 1993, while borrowings were more than £3.5m, being wholly owed to or supported by other members of the Oli-

vetti Group. Preference dividend arrears totalled £1.34m at June 30 1994, while there was a profit and loss deficit of more than \$5.2m at December 31 1993.

Appld Holographics The postponement of orders from some Japanese customers contributed to increased losses

(£10.4m), realising 32 per cent ber 31 the net deficit was at Applied Holographics in the six months to September 30. In addition CFC AH, the US joint £85,000, against revenue of £43,000 for losses per share of 0.24p (earnings 0.12p). venture, failed to achieve its planned profits. The shares lost 15p to close

On turnover up 12 per cent from £3.04m to £3.39m pre-tax losses were £310,000 (£60,000) after taking a share of £125,000 (£71,000) of the joint venture loss. Losses per share came out

at 1.4p (0.29p). The USM-quoted company,

FINANCIAL TIMES

which supplies holographic film, hoped the deferred business would benefit the second half. The joint venture arrangement had been reorganised so the US partner would be fully responsible for funding and bear any losses after Octo-

China Investment

ber 1 1994.

China Investment Trust raised net assets per share by 26 per against 111p a year earlier. After-tax revenue for the six months was £191,243, compared with £47\_259 for the shorter period from May 25 to Septem-

ber 30 1993. Earnings per share

quadrupled to 1.2p (0.3p). Queensborough

Queensborough Holdings, the leisure and hotels group, returned to the black with a pre-tax profit of £50,000 for the six months to July 31 This compared with an interim loss of £278,000 last time and a

£424,000 loss at the year-end. The USM-traded company, which changed its name from Flagstone Holdings earlier this month, had turnover of £1.26m (£250,000).

Mr Kevin Leech, who was appointed executive chairman in August, said the company was applying to return to a full listing, and that its "primary objective" was to declare a dividend as soon as circumstances permitted. Earnings per share were 0.01p (0.2p losses).

### Tadpole **Technology** falls £1.3m into red

By Alan Cane

**COMPANY NEWS: UK** 

Tadpole Technology, the Cambridge-based manufacturer and market leader in high powered notebook computers, lost money last year as anticipated, as it continued to invest heavily in manufacturing infrastructure,

research and development. Revenues grew strongly, however, and there was an operating profit of £671,000 in the second haif of the year. The share price, which has been climbing steadily over the past few months, slipped

11p to 402p. The loss before tax mounted to £1.3m, compared with profits of £749,000. Revenues grew 42 per cent to £32.5m (£22.9m) while losses per share came out at 5.4p (3.5p earnings). No dividend is recommended.

Tadpole's principal products are high performance notebook computers, where it reckons to have a six to 12 months lead over other manufacturers – and electronic circuit boards which it designs and builds for other

companies. Its growth in revenues this year. 79 per cent of which derive from the notebook workstation business, result from the success of its 'Sparcbook" line, designed around chips from Sun Microsystems. It is also designing notebook computers for International Business

Machines and Digital This year it announced a \$20m (£12.1m) order for Sparchooks to be used by the US Air Force. It has also taken a \$20m order for the development and manufacture over four years of customised

printed circuit boards for an as vet unnamed customer. Tadpole's principal development this year has been the launch of the world's most powerful notebook personal computer based on Intel's Pentium chip. Tadpole claims that its machine is at least twice as fast as competing products. Analysts believe it could sell between

5,000 and 25,000 of the machines next year at prices in excess of £7,000 each. Mr George Grey, chief executive, said the company

might have to raise new infrastructure if the machines proved more successful than expected. There might be problems with a shortage of chips and colour monitor screens. He said the current year showed excellent prospects for revenue and earnings growth, biased towards the second half.

### Flogas doubled to I£1.1m

petroleum and natural gas markets helped Flogas, the Irish gas supplier, to more than double its first half pre-tax profits to I£1.06m

(£1.05m). The figure for period to end-September compared with 1£414,000, which was after exceptional costs of I£320,000. Turnover was up from 1£19.7m to 1£21.5m, Earnings

per share were 3.41p (1.31p). The interim dividend is 3.57p

# Molins makes £28m buy and £12.2m placing

By David Stackwell

Molins, the tobacco and packaging machinery group, is acquiring a Nottingham-based maker of specialist packaging machinery for a maximum £28m and is placing 2.46m shares at 498p a share to help

pay for it. Sandiacre is being acquired for an initial \$27m plus a profit-related £1m. The initial consideration is being met by the issue of 521,236 new shares and £12.2m in cash plus the £12.2m proceeds of the placing.

Yesterday the shares closed at 515p, down 3p. Sandiacre, with net assets of £3.5m, makes machinery which forms bags from rolls of plastic at high speed.

material, fills them, and seals them. Typical goods packaged using the machinery are coffee. sugar, powder detergent, and crisps and snacks.

Molins has long sought an acquisition outside cigarette making, which accounts for most of its profits. "We have been very picky," said Mr Peter Greenwood, managing director. "We were looking for a specialist machinery maker with world potential."

He believes Sandiacre, which made operating profits of £3.8m on sales of £9.7m in the year to the end of July, is "almost an ideal fit" with Molins' strategy of concentrating on machinery that handles delicate materials

Sandiacre would benefit from Molins' engineering expe rience, but more importantly Molins' worldwide sales network would take it into new markets. "We expect to provide service and support in markets where Sandiacre has barely scratched the surface," said Mr

Greenwood. Half of Sandiacre's sales are in the UK, with most of the rest going to Europe. Molins expects to sell the machinery in the US, South America and south-east Asia.

The company is at present 100 per cent owned by the founding Davison family and their interests. Mr Clive Davison will stay on as managing

# Readicut declines to £5.4m after contract problems

By Richard Wolffe

Pre-tax profits at Readicut International fell 20 per cent at the interim stage as the household textiles, carpeting and yarn company suffered production difficulties on a military

contract. The Yorkshire-based group lost £1.2m on a contract at its textile bonding division, which had to take over the manufac-ture of ballistic products from a sub-contractor.

Analysts cut full-year profit forecasts from about £18m to £14.5m. The shares closed down 4½p at 67½p.

The pre-tax profits decline, from £6.73m to £5.41m, in the six months to September 30, was on lower turnover of £100.7m (£113.4m). Last year's figures included the discontinued operations of Firth Furnishings, the car carpets producer, and Readicut Wool, the handicrafts distributor.

Operating profits on continuing operations also declined, to £5.72m (£6.67m), as margins

Share price relative to the FT-SE-A All-Share Index

Jun 1993 94 Source: FT Graphite

were squeezed by raw material price rises. Polymer prices rose by 80 per cent in the six months, with UK wool costs increasing by 20-30 per cent. Mr Clive Shaw, managing director, said: "Conditions in

reported operating profits of

the UK are still not ideal and continental Europe is still diffi-The core carpet division

£43.4m (£41m) as its US activities enjoyed better trading conditions. The UK operation, Firth Carpets, replaced a 10 per cent drop in domestic sales with a similar rise in contracts.

Yarns and fibres lifted operating profit to £1.87m (£1.79m) on turnover of £24.5m (£23.6m) as the company succeeded in passing on the higher raw material costs.

However, furnishings and household textiles dipped into the red with operating losses of £65,000 (£801,000 profits) on turnover up 11 per cent to £23.6m (£21.3m). Net interest costs fell to

£308,000 (£665,000) and gearing fell from 18 to 5 per cent. Earnings per share declined

to 1.83p (2.36p) and the interim dividend is held at 0.63p. On the revised profit fore-

casts the prospective p/e is 14 at yesterday's closing price. Analysts said they were surprised by the textile bonding losses and the speed with which raw material costs had £2.68m (£2.07m) on turnover of affected Readicut's profits.

# French buy for Hammerson

By Simon London

Hammerson has made its second French property acquisition inside a week, paying 532.6m for the controlling interest in a property

subsidiary of Axa. the French insurer. Hammerson is buying 66 per cent of Compag-tie des immeubles de la Plaine (CIPM), which

The property comprises 114,000 sq ft of retail and office space. The annual rental income attributable to Hammerson under the deal is about FFr19m, suggesting a yield of 6.8 per cent at the purchase price.

Last week. Hammerson paid 555m for a shopping centre located just outside Paris. The company raised £250m last month from the sal owns 55 boulevard Haussmann in central Paris. its Australian property assets.

# Anglo Irish Bank turns in 57% advance to I£14.5m

By John Murray Brown

In Dublin

Anglo Irish Bank Corporation, which is listed on the Dublin stock exchange, reported a 57 per cent increase in pre-tax profits to 1£14.5m (£14.3m) for the year to Sentember 30 despite sluggish loan demand

in the first half. The bank's UK operation reported a return to profit with I£1.3m compared with a loss in

1993 of 1£333,000. The bank, with its core lending to small and medium sized business, increased earnings per of share from the 1993 level of 4.98p, as adjusted for a

rights issue, to 5.02p.

despite additional personnel costs as the company expanded its UK managerial staff and a share capital increase following the rights issue in January. Net interest income was slightly ahead at I£27.9m

Fee income more than doubled to I£5.38m (I£2.1m). Treasury profits were also substantially ahead at I£3.1m. However, overheads were also higher, at I£13.6m (I£12.4m).

(1£26.8m).

There were bad debt writeoffs of 196m.

Non performing loans stood at 1£30m. The bank maintains conservative policy, with 86 per cent of non performing

The deposit base improved with deposits up 23 per cent to

The bulk of new deposits came from smaller retail cus-

The bank reported slack loan demand in the first nine months, but a marked improvement in the last quarter. which has continued through the first six weeks of

the new year. Leasing business has been virtually static, although 1994 saw a strong advance in total assets, which grew 31 per cent

A final of 2p is recommended, for a 3.36p total.

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FINANCIAL TIMES Newsletters

### COMMODITIES AND AGRICULTURE

# World Bank man pours cold water on commodity hopes

By Alison Maitland

A senior World Bank economist yesterday dismissed the view that commoditles. which have seen huge price increases this year, could prove to be a long-term investment on a par with equities.

Mr Donald Mitchell, senior economist at the bank's commodities unit, told a conference in London that the rally was a short-term reaction to a plunge in prices over the past decade and not the start of a 'major uptrend".

"Commodities are not a buyand-hold type of investment," he said. "You can make huge amounts of money by speculating. But you have to have a view and understand the mar-

"Commodities primarily belong to the hedgers and speculators, not to the investors. Commodities are strongly in favour this year as a way of diversifying investment portfo-lies out of poorly performing equities and bonds. Funds specialising in commodities have been launched on the back of increases such as a tripling in coffee prices and a rise of more than 50 per cent in aluminium,

copper and cotton. But Mr Mitchell pointed out that if commodities turned out to be an asset class in their own right, worth holding for

Establishing a credible data

base on world coffee output

must be a priority for produc-

ers, according to the secretary-

general of the Association of

Coffee Producing Countries. Mr Roberio Oliveira Silva

told a meeting of the Interafri-

can Coffee Organisation in

Lomé that uncertainty over the

true levels of supply was con-

tributing to the highly volatile behaviour of the coffee market.

which has the conditions to

assess the world level of pro-

\*No organisation exists

the long-term, "it would defy tives, and sponsored by Reu-

100 years of history". A sustained increase in prices over more than two or three years would require a shift in wealth to the developing world, and a consequent surge in demand for commodities, similar to the oil price boom of the 1970s, he argued. But circumstances had changed. The Soviet Union, a

large importer of commodities in the 1970s, no longer existed; Opec countries had financial problems preventing them from expanding imports; and China had shifted from being a major importer of grain to being a net exporter. Rapid growth in some developing countries was no longer accompanied by an equivalent

ncrease in imports. He said, however, that commodity price movements appeared to offer investors a gative correlation with interest rates, which "may be use ful". He also felt that metal and mineral prices had some way to rise, while agricultural commodities had "by and large had their boom."

Other speakers were more upbeat about the potential for commodities at the conference. which was organised by Futures and Options World, a publishing company, and Rostron Perry, a public relations company focusing on deriva-

duction and the conditions in

each producing country, including the difficult question

of production costs," he said.

of the most important tasks

the ACPC has to undertake: to

organise a data base on world

coffee production with suffi-

cient credibility to be able to

make a difference to the situa-

The ACPC was established

last year when producers intro-

duced a successful export

retention scheme. Mr Silva

said the organisation also bad

to work with the International

tion in the market today."

I am convinced this is one

Mr Neil Bresolin, an executive director of Goldman Sachs, the US investment bank, said commodity investors were at, or close to, the middle of a bull market. Metals in particular should benefit from rapid growth in industrial production still to come in the US and

Europe. "There's a high positive correlation between commodity prices and industrial expansion," he said. "You can get direct exposure and participation in global growth [by investing in commodities]. It's also an insurance against unexpected events."

Mr Roy Leighton, chairman of Credit Lyonnais Rouse, the French banking group's comthat over-the-counter instruments such as swaps and index warrants offered advantages to 'fundamental" portfolio man-

They provided opportunities to invest in commodities such as jet fuel, which could be highly sensitive to events in the Gulf but was not yet quoted on a futures exchange. They were flexible and allowed trade to take place further for-

ward than in futures markets. "Provided you have a reliable counter-party, these markets can be quite safe," he said.

Organisation yesterday pre-

Credible coffee data base called for Coffee Organisation to achieve higher long-term consumption. • The International Sugar

> dicted a bigger deficit for the coming year of 1.9m tonnes, compared with 1.3m tonnes forecast in September. Production in Europe alone, hit by poor weather in June and July, was expected to be

The ISO said a second year of deficit provided strong support for prices at current levels, but warned that big buyers such as China, India or Russia were extremely price sensitive.

1.63m tonnes lower in 1994-95.

### Gold market 'could absorb' **IMF** sales

By Peter Norman, Economics Editor

The international gold market could easily absorb sales from the International Monetary Fund of the order recently proposed by Mr Kenneth Clarke, the UK chancelior, a leading gold banker said yes-

Mr Robert Guy, a director of N M Rothschild & Sons, said Mr Clarke's plan for the IMF to sell up to 10 per cept of its gold stocks to create a fund to ease the debt burdens of poor developing countries was prac-

"The gold market could easily absorb an additional supply of 320 tonnes from the IMF provided the sales are spread over a reasonable period," Mr

He told the third City of London Central Banking Conference, that the chancellor's proposed sales would be easier for the market to manage than the last IMF gold sales in the 1970s.

The last IMF gold sale programme was larger, totalling more than 700 tonnes, and the Fund was competing as a seller with the US Treasury and some other IMF members who had gold returned to them by the Fund.

This time "there would be no parallel sales either by the US Treasury or as a consequence of restitution", Mr Guy said.

Moreover, the gold market has since become much larger, coping last year with total supply of 3,257 tonnes, compared with 1,765 tonnes in 1979, and more sophisticated, with a greater number of professional dealers able to handle an auction process, he

Alumento		to 1,888,55							
Aluminium alkoy	+40	in 26,720							
Copper	-1,500	to 321,725							
Lead	-1,750	16 359.875							
Nickel	+30	to 150,462							
Zinc	-1,625	to 1,210,50							
Tin	+50	to 29,045							

# Saudis take the heat out of Opec talks

Robert Corzine on a meeting driven by 'economic self-interest'

President Suharto of Indonesia may have been right when he told Monday's meeting of the Organisation of Petroleum Exporting Countries that the peaceful atmosphere of Bali would pervade their usually troubled and acrimonious deliberations on oil prices.

Or maybe it was just Bali's energy-sapping heat, as delegates from even the hottest Middle Eastern countries struggled to cope with temperatures in the high nineties fahrenheit and humidity to match.

Whatever the reason, oil ministers yesterday succumbed easily when Saudi Arabia, Opec's largest producer, made it clear that it wanted quick agreement on its surprise plan to roll over Opec's existing production ceiling for the whole of

Kuwait, Libya and Gabon expressed fast minute reservations. But all resistance crumbled before the united front presented by the other eight members, including Iran. so often a dissenting voice within Opec.

It was, however, "economic self-interest" which drove the

delegations to an early agree-ment, according to a Gulf Arab official.

All the countries share a "common goal" of lifting oil prices higher than the present level of about \$17 for the benchmark Brent Blend. The differences at this week's talks were only about how to achieve it.

The option of a three month roll-over was never seriously considered because delegates feared that it would merely set off renewed market speculation about Opec's next move. A cut was also not a serious option. "I can't see any country willing to go below the ceil-

ing," said one delegate last Saudi Arabia dropped its widely-signalled support for the six-month roll-over option in the days leading up to the meeting. A Gulf Arab official said the six-month option could only have been justified "if you believed" forecasts for 1995 which assumed that non-Opec would not be able to cap-

rel a day increase in demand expected during the year. Saudi Arabia clearly did not, although the kingdom did not

ture any of the 800,000-1m bar-

about its change in position until Saturday, when Mr Hisham Nazer, its oil minister, arrived in Bali.

The one year plan meets a number of Saudi aims, according to analysts. It sends a signal to the markets that the kingdom is prepared to forego volume increases in favour of firmer prices. It also largely eliminates market uncertainty associated with frequent Opec meetings. And, more importantly, it confirms that the Saudis want to shift the burden of maintaining stocks on

Gulf Arab official said he expected that the international oil industry would have to hold more stocks and compete more fiercely with each other for available crude oil supplies as a result of the agreement.

to oil companies and refiners.

The one-year roll-over also reflects a Saudi preference for Opec to focus on longer term goals, rather than trying to set short-term prices. "Technical factors are more important than Opec" in the short term, said one delegate.

But a Saudi official said the

inform any of its colleagues one-year roll-over did not necessarily represent a sea change in an oil policy that has tended to emphasise market share.

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"We're not rigid in terms of market shares," he said. "We like a good share and a good

price." So will the Saudi plan succeed in achieving that aim? Opinions vary widely, with few delegates forecasting any big jump in prices. Many expect the benefits of the roll-over to be relatively modest, with little likelihood that the cartel will soon achieve its reference price of \$21 a barrel for the Opec basket, an index of seven international crude oils."

A big uncertainty remains the upward trend in non-Opec production. One Arab delegate yesterday admitted that North Sea operators "out-manoeuvred us with their increased production this year".

There is also uncertainty about possible quota cheating by Opec states should prices rise. That was said to be Kuwait's biggest reservation

about the plan.
Mr Nazer declared yesterday: Over production is a problem. We're very keen to have every-one abide by quotas".

# Funds sought for diamond projects

By Kenneth Gooding, Mining Correspondent

Ashton Mining of Australia has two exciting diamond projects that, if all went well, might be mined in 1997, according to Mr John Robinson, the

chief executive. The race is between Ashton's Merlin prospect in the Batten area of Australia's Northern Territory, where the company has been exploring for 15 years, and its new diamond province in Finland.

Ashton has been exploring in Finland for eight years but kept its operations there secret until September this year because Finnish laws do not provide for large and long-life exploration licences. The company is still not revealing the

precise locations of some of the prospective areas in Finland vhere it has found "commercially significant concentrations" of diamonds.

Mr Robinson, speaking to analysts in London this week, said that Ashton was looking at options for substantial further funding if the projects lived up to their present promise. The least attractive option would be to bring in a partner for joint ventures. He preferred the idea of floating projects so as to bring in public money.

Ashton is Australia's biggest diamond mining company via its 40 per cent holding in the Argyle mine in Western Australia, the world's largest producer in volume terms. Argyle's present reserves guarantee its open pit operations

Sett Day's Open price change High Lour het Vol

through to 2004 but Mr Robinson said there was a good chance that moving to under ground mining could extend the mine's life considerably.

pects for the next ten years. Demand would grow strongly as new markets, such as China, India and Mexico, developed from a small base. On the supply side, apart from Ashton's two projects, only the discovery by another Australian group, Broken Hill Proprietary, in Canada's North West Territories, seemed to offer much promise. He admitted, however, that there were unanswered questions about the size of Russia's diamond stock-

### MARKET REPORT Sugar prices -

London white SUGAR futures rallied to fresh contract highs yesterday as bullish fundamentals, including talk of fresh buying from China and estimates for a higher 1994-95 deficit prompted mixed buying, dealers said.

bounced to close sharply firmer on mixed buying, shortcovering and New York's bullish trend, after sliding to over four-week lows in early trad-

A quieter day at the London Metal Exchange prompted holders of long positions to lighten their load a little, which put some downward pressure on prices. Compiled from Reuters

### COMMODITIES PRICES

**BASE METALS** LONDON METAL EXCHANGE (Prices from Amalgameted Metal Trading)

M ALUMBRIUM, 99.7 PURRTY (\$ per tonne) 1987-8 Previous High/low AM Official Close Previous High/low AM Official 1900-05 1865-75 1860-70 1900-05 1912/1909 1912-6 1900-05 1880-6 Kerb dose 8.040 LEAD (\$ per tonne) 688-90 690.5-91 **692/686 690-0.5 685-9**0 AM Officia 673-4

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2.35 139.10 126.70 18.856 1.50 677 PRECIOUS METALS III LONDON BULLION MARKET

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383 20-383 60 383.00-383.30 Rold Landing Rates (Vs US\$) Loco Ldn Mear 2 months 3 months Sower Fix US ets equiv. 3 months 339.20 522.76

6 months 1 year 338.25 351.05 530.40 549.65 **Gold Coins** \$ price 385-388 £ equiv. 245-248 386.85-390.50 57-60

Precious Metals continued MI GOLD COMEX (100) Tray oz.; \$/tray oz.) Dey's Open change light low last Yol.

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SOFTS MEAT AND LIVESTOCK III LIVE CATTLE CME (40,000fbs: cents/fbs) III COCCA LCE (E/tonne) -2 987 968 17,505 1 -5 1008 987 44,077 3 -6 1010 993 15,895 -5 1019 1004 6,828 -6 1027 1014 12,964 -5 1044 1029 10,161 Dec Mar Mey Jul Sep Dec Total 968 17,505 1,383 987 44,077 3,683 519 32 40 30 114.853 5.973 COCOA CSCE (10 tonnes; \$/tonnes)

1302 -3 1310 1282 1,240 448 1340 +3 1343 1331 44,105 4,967 1365 +5 1365 1355 9,284 201 1388 +4 1388 1380 3,637 109 1412 +4 1412 1412 1,578 1340 1365 1388 1412 1442 44,105 9,264 3,837 1,578 5,132 71,302 5,774 Prior +60 +60 +74 +70 +57 +50 3060 3145 10,439 1,996 3117 3090 3075 3053

■ COFFEE 'C' CSCE (37,500fbs; cents/fbs) 160.35 +1.70 164.75 158.65 962 165.45 +1.75 169.50 163.25 19,489 169.00 +0.70 172.00 166.40 6.295 170.25 -0.05 174.50 169.25 2,173 171.90 -0.50 176.00 177.00 1,013 896 124 31,021 10,882 -0.50 175.00 172.50 ■ COFFEE (ICO) (US cents/por 165,46 174,20 15 day average 17282 M No7 PREMIUM RAW SUGAR LCE (cents/lbs) 13.00 +0.87 1,400 TE SUGAR LCE (\$/100mg)

405.40 +13.90 407.00 392.00 11,186 1,379 399.80 +13.50 402.00 387.50 4,357 1,030 389.90 +11.60 392.00 381.50 361,40 +10,20 363,00 355,10 AR '11' CSCE (112,000lbs; cents/lbs) 14 59 +0.61 14.88 14.20 103.634 19.772 14.56 +0.63 14.88 14.26 +0.63 14.26 13.63 +0.47 13.56 13.07 +0.41 13.16 12.96 +0.49 12.97 12.80 4,632 12.55 423 12.55 177,176 32,345 IN COTTON NYCE (50,000lbs; cents/lbs) 73.28 -0.85 73.90 72.40 6.097 6.175 75.80 -0.40 75.95 75.21 28.418 8,183 76.96 -0.38 76.80 76.35 8,312 1,241 77.45 -0.55 77.65 77.05 5,115 446

IF ORANGE JUICE NYCE (15,000lbs; cents/lbs) 105.25 -2.30 108.00 163.00 16,315 5,417 -5.90 111.55 111.20 6.325 -5.00 114.50 113.95 1.902 116.45 -5.00 116.45 116.45 119.25 -5.00 120.00 119.25 1,683 117.35 -5.00 - 1,317

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEN, NYMEX, CBT, NYCE CME, CSCE and IPE Crude Oil are one INDICES RELITERS (Base: 18/9/31=100) Nov 21 month ago year ago 2159.6 2093.4 1621.3

Nov 18 month ago 232.72 233.04

year ago 223.71

# CRB Futures (Base: 1967=100)

88.425 -0.200 88.550 89.050 24.084 6.558 89.225 -0.025 89.350 68.850 27.101 4.768 89.600 -0.075 89.750 69.325 17.013 24.49 85.575 65.575 85.275 5.821 621 63.775 -0.025 63.900 63.625 2,064 348 64.600 - 84.600 64.400 596 59 76,257 14,800 # LIVE HOGS CME (40,000fbs; cents/fbs)

31.800 -0.450 31.800 31.800 13,350 31,72 34.450 -0.500 34.675 34.300 11,785 3,154 35.550 -0.400 35.650 35.400 61,92 1,036 41,125 -0.225 41,150 40,750 3,227 459 41.875 -0.150 41.100 40.850 38.800 +0.050 39.000 38.700 35,778 Feb Mar Way Jul 36,425 -0,475 36,750 36,200 7,814 38.550 -0.800 37.000 36.400 37.775 -0.725 38.400 37.700 38.800 -0.925 39.400 38.600 37.800 -0.600 38.200 37.500

LONDON TRADED OPTIONS Strike price \$ tonne

E ALLSMINISH 141 113 89 62 83 109 ■ COPPER 137 111 89 116 97 80 84 108 135 157 186 218 IN COFFEE LCE 384 400 437 E COCOA LCE

Apr .... 115 .... 76 .... 39 LONDON SPOT MARKETS ■ CRUDE Oil FOB (per barrel/Jan) +01-

# BRENT CRUDE PE

Dubal Brent Blend (dated) Brent Blend (Jan) W.Y.L (1pm est) \$17.75-7.772 ■ Oil PRODUCTS MWE prompt delivery CiF (forme) \$175-177 Gas O# \$160-153 Heavy Fuel Oil Naphtha Jet fuel \$157-159 +0.5 \$384.30

515.5c

\$154,60

141.DC

15.77r

118.96p 108.36p

\$342.0 \$403.5

7392.0

\$132.0v \$165.0v

+0.5 +0.60

+0.85

+1.0

-1.00

+0.17\*

+6.11° +0.72°

+0.50

-1.0

-22.0

10.10

Gold (per troy oz) Saver (per troy oz) Platinum (per troy oz.) Palladium (per tray oz. Copper (US prod.) Lead (US prod.) Tin (Kuala Lumpur) Tin (New York) Cattle five weight) Sheep (tive weight): Pigs (live weight) rour gay andas (law Lon, day sugar (with Tate & Lyle axport Barley (Eng. lead) Malze (US No3 Yel

Wheel (US Dark North)

Rubber (Dec) ¥ Rubber (Jan) ¥ Rubber (KL RSS No1 Jul) 87.75p 344.0m Cocorut Oil (Philit)§ Paim Oil (Malay.)§ \$887.50 Copra (Philis Soyabsans (US) Cotton Outlook'A' Index Nooltops (64s Super)

g, y Jan/Mar. v Navelbe on Physical, § CIF Rol heop (Live weight price r ringglifig, m Molaysian cantafitt. Dac. z Jan. g Dacidan V London dam. § Bullon market close. § Sho

He was "very optimistic"

about diamond market prospiles and what it might do with those gems.

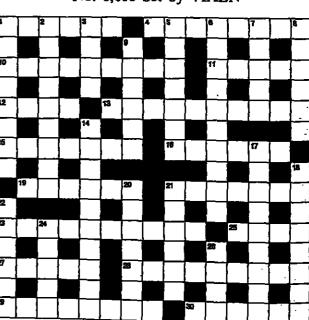
hit fresh highs

COFFEE futures also

JOTTER PAD

### **CROSSWORD**

No. 8,618 Set by VIXEN



1 The staff intended to help the 4 This drink is stocked in a bag, 10 Turned and made off when

charge (5) 12 Separate for a bit (4) 13 Firm with youngsters who care for horses (6-4) 15 Figure the second will create a disturbance (7) 16 Invested, and owed in conse-

19 A leader writer gets some credit ordinarily (6) 21 With not a single boy having revised lessons (7) 23 Starry eyed forecaster (10) 25 Indian place where silver is brought by serving men (4) 27 The colour's very good in the

quence (6)

28 Bullies, and then tears result 29 Cut back transport in a naval establishment (8) 30 Read about a woman being

1 Hard-top vehicle - and a soft one (8) Sneaky junior employee? (9) Heel writing about social worker (4) 5 Distinguished (notes) clearly

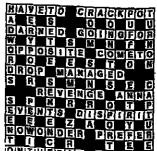
DOWN

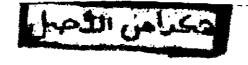
Winning following (10)
A representative taken in by 7 A representative taken in by a word of thanks in America A tax cut (6) 9 Stuff many a sober individual

presented to the monarch (6) Still, having a try is not a blunder (10) 17 Possibly rue being perpetually credulous (9) 18 Criminal offering the dope doubly favoured (8) 20 Duck in a roll – it would once have been chicken (7)

21 Appears in control of beasts 22 The right ideas maybe get one promoted (6) 24 A jerk without work is the subject of discussion (5) 26 Mother a couple of scholars

Solution 8,617





Y NOVEMBER 23 1994

C.La fundame

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#### MARKET REPORT

# Footsie dips below 3,100 after Wall Street slide

The UK equity market, like its European counterparts, could not ignore the impact of Monday night's 46-point retreat by Wall Street and ouce again dropped through the 3,100 level on the FT-SE 100 scale. Sentiment across Europe took another hard knock in the after-

noon, when the US stock market started under renewed pressure which saw the Dow Average slide more than 20 points shortly after the opening. The Dow later rallied to show a fall of only some 10 points, before embarking on a fresh retreat an hour after London closed.

There was no real respite for the FT-SE 100 Index which, in spite of numerous attempts to rally, finished a net 42.3 off at 3,078.7, only a whisker above the day's low of

3,078.6. Over the past two sessions the index has fallen 52.3 points, or 1.7 per cent.

There was evidence of some good support for the second-liners, but this was quickly overwhelmed, with the FT-SE Mid 250 Index ending the ession 24.2 lower at 3,545.3.

There were, however, some encouraging features in London. The gilt-edged sector was never anything but a firm market and closed at the day's best levels, mirroring similarly strong performances by bonds and bunds across the globe.

The market debut of TeleWest, the UK's first cable television flotation, was an unqualified success. with the shares, seen as tightly priced by telecoms specialists, opening at a 5 per cent premium and attracting sufficient international demand to close comfortably above the issue price. Turnover in Tele-West reached a short 59m shares, accounting for around 9 per cent of overall market turnover.

This came out at 664.8m shares, compared with Monday's 487.4m. Non-Footsie stocks accounted for 65 per cent of the total. The Stock Exchange revealed that customer business transacted on Monday was worth £1.44bn.

Dealers in London were surprised at the extent of Wall Street's fall on Monday evening, which was said to have occurred in the wake of a big shift by Morgan Stanley, the influential US investment bank, in the cash allocation of its US-only portfolio from 3 per cent to 15 per cent.

A dealer at one of the big international banks said much of the weakness in Wall Street could be attri-

buted to a series of options and futures expiries last Friday which carried over into Monday.

There were also stories circulat-ing in London of a substantial switch from UK equities to gilts, a move which was borne out by the performance of both markets but not by trading volumes.

US markets were also said to have been weakened by rumours of imminent resignations in the Clinton administration after the recent polling disaster in the mid-term elections London opened sharply lower.

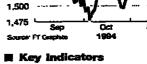
with the FT-SE 100 down almost 30 points, as marketmakers chopped their initial quotations to head off any large selling pressure. After a couple of half-hearted rallies, the market began to wilt and eventually settled just above the day's low.

Traders said the market was delicately poised at the close, with the FT-SE 100 future at a discount to the cash market and resting at a major chart point.

Senior marketmakers, although nursing losses over the past couple of sessions, remained stoic, pointing to the continued strength of bond markets in the face of the weakness in equities, and quick to emphasise that it was the weakness in bonds that drove markets lower in the early part of the year.

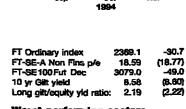
Laird, the engineering group, gave ground after announcing a £68m rights issue, awakening market worries about cash calls Vodafone continued the recent flow of excellent dividend news, hoisting the interim payment by a much higher than expected 19 per cent.





Indices and ratios

FT-SE 100 -42.3 FT-SE Mid 250 -24.2 FT-SE-A 350 1546.7 -18.8 -17.69 FT-SE-A All-Share yield 3.97 (3.92)Best performir



**Equity Shares Traded** 

4C0

Turnover by volume (milition). Excluding intra-market business and overseas tur

1 Property ....... 2 Merchant Banks

Best performing sectors	Worst performing sectors
1 Property 0.0	1 Banks2
2 Merchant Banks	2 Telecommunications2
3 Textiles & Apparel0.1	3 Tobacco1
4 Retailers, General0.2	4 Oil, Integrated1
5 Printing, Paper & Pckg	

### Strong debut for TeleWest

Cable television operator TeleWest made a storming stock market debut, closing 31/4 ahead of the 182p flotation price in levels of activity that came close to heart-stopping for an offering of just 216m

Turnover of 59m was nearly six times the level of volume in BTR, the most actively traded Footsie stock. Kleinwort Ben-

Stock index futures ended

sharply lower after another

trading volume, writes Jeffrey

FT-SE 100 PADEX FUTURES (LIFFE) \$25 per full index point

FT-SE MED 250 INDEX FUTURIES (LIFFE) £10 per tuli index point

# FT-SE MED 250 INDEX FUTURES (OMLX) £10 per full index point

E FT-SE 100 BADEX OPTION (LIFFE) ("3079) £10 per full index point

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) 210 per full index point

EURO STYLE FT-SE MED 250 INDEX OPTION (OMLX) £10 per twi index point

3400 3450 3500 3550 3600 101 38 72 583, 49 851<sub>2</sub>

Open Sett price Change

3079.0 3094.0

3555.0

session of below average

3102.0

Calls 4.125 Puls 6.371

the issue, was said to be responsible for around half of yesterday's trade. The driving force behind the bumper trading was thought to be interaction between the London and New York tranches of the issue, plus a certain amount of switching with BT, which fell 71/4 to 3801/4p.

Carlton confidence

Television and video company Carlton Communications maintained its strong market outperformance as some analysts took a close look at the latest data for video sales.

The FT-SE 100 December

contract was at 3,079 when pit

trading came to an end, down

51 points, it ended broadly in

line with the cash market and

Est. vol. Open int.

145

13411 1067

3700

3750

Low

EQUITY FUTURES AND OPTIONS TRADING

High

-49.0 3108.0 3077.0 -50.0 3119.0 3093.5 -48.0

3550,0 3550.0 -30.0 3550.0 3549.0 2329 3588.0 3588.0 - 3588.0 3588.0 2329

2925 2976 3025 3075 3125 3175 3225 3275
169 15 129 24½ 92 39 84 50 41 87 23 118½ 11½ 157 8½ 201
194½ 34 158½ 47½ 128 84½ 98 85 76 111½ 54 141½ 38½ 175 28½ 21½
215 43½ 189½ 76½ 97 123 59½ 18½
226 60 181 83 107 137½ 87 185½

son Securities, joint broker to reveal that fourth-quarter sales of pre-recorded films and programmes in the US rocketed from \$177m in 1988 to \$520.5m last year. Carlton has the manufactur-

ing and distribution rights for Disney and Warner which last year accounted for 40 per cent of sales and will this year take in sales of Snow White.

The forecast for this year's pre-Christmas sales is \$934m. almost double the 1993 figure. Carlton's slice of the cake might be reduced because of competition from Jurassic Park, distributed by Rank, but it is a larger cake.

Carlton shares have outper-Statistics in the trade press formed the broad market by 16

seven points under fair value.

Activity was much higher

again below average and, at

11,220 lots, only just into the

area where traders reckon the

December has tumbled 61

depressed level, but it was

than Monday's severely

futures market starts to

become profitable.

#### per cent over the past year and 4 per cent over the past month. Yesterday the shares were rela tively strong against the market, closing only 5 off at 891p. Rank shed 5 to 412p.

Abbey tussle Bank Abbey National was buffeted by two-way trade following an upbeat presentation

on current trading.
The one-time building society said its share of the national mortgage market was back up to 10 per cent and it had widened its retail margins. Mr Mark Eady of NatWest Securities put the positive view

### that "the gain in market share TRADING-VOLUME

**■ Major Stocks Yesterday** 1,560 Anglan Wister
Argus
Argyll Group†
Arjo Wiggins†
Assoc. Brit. For

45. 45. 45.

-6 -10

Burral
Burrath Cestroi†
Burran
Castle & Wire†
Castlery Schweppi
Caradon†
Castler Comms †
Costs Viyella
Comm. Union†
Cookson

rose to 35,402 lots from Monday's 21,653. There was contracts. Tesco was the busiest stock option at 4,135 lots, followed by BTR and Shell Transport.

### points in two days, falling into what traders describe as a major support area. Wall Street

continues to dictate immediate direction but some dealers were speculating on an early rebound for stock futures. Activity was said to be strictly anomoly business:

mostly book hedging and marketmaker to marketmaker deals. Although premiums to cash equities were minimal throughout the session, there was no real weight of selling, with dealing lots small. Business in traded options

heavy turnover in a number of individual stock options. FT-SE accounted for less than 16,000

# 456 2,300 628 4,000 624 1,400 3,600 2,400 2,400 2,400 2,400 3,400 4,400 ytd Return 20.75 122.22 19.32 127.35

necum	GPNT Chinnount	3,400	450
1170.19	Guinness† HSBC (75p shalf	6000	459 723 336
1328,79	HEATTMENEGET	7.100	336
1327.35	Hanson† Hansons Crosheld	4,100 612	231 <sup>1</sup> 2 162
1202.82	Hars Named Contract	596	289
1388.92	Hays Hillsdown	596 1,300 109	172
1368.52	inei	109	327
1212.00	sCit Inchaspet	1,400	781 443
	Johnson Matthey	173	443 565
Total	Kingeshert	1,300	473
Return	Kwik Save Ladbroke†	173 1,300 210 4,900	565 473 560 182
· CLUIII	Land Securities†	1,300	601
1076.76	Laporte	1,300 302 1,500 855 2,500	700
1056.59	Legal & General	1,500	429 331
1085.08	Licerts RankT	2.500	57A
1084.08	Lloyds Abbey Lloyds Bank   LASMO	asa	142
981.69	London Elect. Londo	250 8,000 3,600 2,700	702 157
814.79	Lucas	3,600	204
880.66	Lucas MEPC†	2,300	400
1015.32	MP `	827	1415
914.03	Marreto Marre & Spencert	100 1,700	803 412
817.94	Marks & Spencer† Miclands Beca	220	772
1047.42	Morrison (Mim.)	104	139
1137.01	NFC NatWest Bank†	3,700	172 509
1131.36	National Power	3,700 3,000 697	504
898.86	Next	697	253
	North Weel Water† Northern Elect.	887 €3	540 Mis
954.69	Monthern Foods?	4.300	804 204
986.77	Norweb	86	700
336.85	Pearsont P & O†	586 1,100	609 624
965.12	Pitonaton	3,900	183
B52.37	Plangton PowerGent	2,600	557
923.66	Prudental† RIAC† RT2†	2,600 181	317 986
994.02	हारो	3.100 825	996 845
866.87	Sarai	825 645	228 412
948.54	Rank Org.† Recide & Colman?	2,500	570
890.87	Rediand† Reed Inc.†	963	474
1025.57	Reed Intl.†	295 911	792 238
1001.87	Rentolati Benton t		480
1063.44	Reuters† Rolls Royce† Ryl Bi- Scotland†	5,800	180
877.21	Ryl Bi Scotland† Royal fepurance†	5,800 1,600 2,100	<u>157</u>
930.44	Sansbury†		411
891.67	Schroriers†	277 367	1428
1086.06	Scotten & New † Scot. Hydro-Elect	367 235	508 327
929.03	Scottish Present	2.000	361
1065.69	Searst	4,200 284	10512
927.08	Sedgetch Seeboard	102	149 420
840.78	Severa Trent† Shell (ransport)	432	561
925,04	Shell (ransport)	2,600	702
1176.32	Sebert Slough Ests	1,300 944	570 224
	Smith (W.H.)	574	470
865.95	Smith & Nephow† Smith Boechum† Smith Beecham Uts.†	7767	147
883.06	Smill Rescham Uts.†	2,700 1,500 402	423 386
849.86	Smiths inds.	402	455
913.22 865.59	Southern Elect † South Wales Block	599 371	799
	South West Water	54	802 496
1008.95	South West Book	16	770
814.36	Southern Water Standard Chartel †	311	584 280
922.21	Storehouse	2,900 295 593	584 280 220
1212.00	Storehouse Sun AllianceT	593	5.7
	TAN	1,900 963 2,300	219 372
	11 Group† TSB†	2,300	219
Ow/day	Territor	2,900 2,300	177 439
	Tata & I vie	2.500	

has not been achieved at the expense of margins". However, bearish Credit

Lyonnais Laing drew clients' attention to the imminent figures from Royal Bank of Scotland and its Direct Line insurance subsidiary. The house said Direct Line had flagged its move into the mortgage arena, where it was offering loans of 7.1 per cent against Abbey's 8.1 per cent, and into the banking market. Abbey shares were steady at 412p, while RBoS's

were also firm, at 452p. Mobile communications group Vodafone lost 2 at 204n following interim results on the right side of brokers' estimates. But it was the near 20 per cent jump to 1.64p in the interim dividend that provided the shares with most underpinning. Most houses had been

expecting a payout of 1.5p. Interim results from glassmaker Pilkington were modestly better than expected but the company's message for the full year was mixed. The shares dipped 2 to 183p.

Not all securities houses edged up their profit estimates for 1994-95. Some houses see Pilkington's premium p/e as a sell factor, others are more confident of the longer term. Concern over margins in the

music division at Thorn EMI hit the group's shares as it reported favourable interim figures. The stock dropped 24 to 973n. Sentiment was hit further by unconfirmed reports that UBS had downgraded but the general tone was positive. Hoare Govett raised its fullyear forecast by £4m to £411m.

#### **NEW HIGHS AND LOWS FOR 1994**

NEW HIGHS (18).

BILTS (1) BUILDING & CHSTRIN (1) Andrews
Sylve, ENGINEERING (2) LINCAY, VSEL, ENG,
VEPICLES (1) Author Secretaines, ENTRACTIN
NOS (3) FOOD MARGE (1) HOITE, HEALTH
OGOES (1) Coop Healthaine, HOUSEHOLD
GOODS (1) Independent Parts, INVESTMENT
TRUSTS (3) OIL EUPLORATION & PROD (2)
CHARACTER (1) SOUTH SEMPS (1)
Computer People, WATER (1) South States
Water.

Water

NEW LOWS (1229,
GR.7S (1) BANGS (1) BUILDING & CASTRN (5)

AMEC, Do 67-p PL, Boor 98, Brumma,
Country-self Prope, Crest Nicholson 545pc PL,
Regert Corp. Westbury, BLDG MATLS &

Allegand Corp. Westbury, BLDG BCHTS (8) Anglan, Dyson (J & J) A, Heywood Williams, Litesholl Spc (Net) Co. Pt , Mayor Int'l., Norces, CHEMICALS (1) Metrologic Incia UTORS HI Control Motor Auctions

Charles Sidney, He DIVERSIFIED INDILS IS ELECT DAVERSIFIED INDLS (6) ELECTRING & ELECT ECAIP (4) CAIL Microsystems, DRS Data Res., Forward Group, Pressee, ENGINEERING (6) Ach & Locy, Ratocock Infl., Barry Wehmiler, Cooper Fri, Molins, Richardson Westgarth, EXTRACTIVE INDS (3) GAI Kalpoorie, Manorce, Walfadia, FOOD MANUF (1) Firits (J.), MEALTH CARE (1) Sotassa by HT, HOUSSIGHOLD GOODS (1) Creighton Naturally, INSURANCE (1) JIB, INVESTMENT TRUSTS (25) INVESTMENT TOURS (3) LINVESTMENT (1) LINVESTMENT BALLS (3) Along

VARIES (2) LEISURE & MOTELS (2) Alpha Amports, European Lecturo, MEDIA (5) Barbour Index, Gold Greenlees Trott, Madland Indip. News., Outsto Group, WMGO, OIL

News, Clarto Group, WARGO, Off.
EXPLORATION & PROD (3) Evergreen Res.,
Pirst Australian Ree., Victoria Petroleum, OTMER
PRAMICIAL (5) Brewn Dolphin, Exco, Jordane
Stateget, Johnson Fry, Serier Papific A, OTMER
SERNYS & BUSINS (1) Leigh Interveto, PRTING,
PAPER & PACKE (5) Brit. Thomson, Britton
Group, Piyac, PROPERTY (6) Christerfield,
Derwent Valley, Gt. Portland, MEPC, Property
Trust(PVI), Southerd Prop. Spic Cv. 2020,
RETALLERS, FOOD (1) Delay Farm Int'1. RETAILERS, FOOD (1) Dairy Farm Int L. RETAILERS, GENERAL (5) Fine Art Davips. Flying Flowers, Games Wo Signet, SUPPORT SERVS (2) Hogg Rabinson, Visioc, TEXTILES & APPAREL (4) Caldwell Inve.

Granada relinquished 10 to 516p after it emerged that its television subsidiary may face a fine for repeated violations of independent television rules on products in programmes. The unexpected break-down

of merger talks between metals groups Johnson Matthey and Cookson Group left Johnson 9 lower at 565p but added 2 to the Cookson share price at

247p. Fears that Northern Foods will have make provisions of around £40m at the end of the second half for restructuring and disappointing interim figures sent the shares down 8 to

The meeting with analysts was also particularly gloomy. Brokers downgraded full-year expectations by about £15m to around £120m.

Nervous trading in Tate & Lyle which reports interim figures today, left the shares 8 lighter at 439p. Computer software group

ACT shed a penny to 1025 p following news of a heavy share buy-back programme. It purchased almost 5 per cent of its equity - 9m shares - at 103p. Turnover was 15m.

Pharmaceuticals group Wellcome gained as analysts became increasingly enthusiastic following last weekend's positive Aids conference.

Securities house Robert Fleming was said to have issued a buy recommendation and Japanese investment house Nikko Securities took investors to the company's research centre. The shares moved forward 6 to 681p.

Paper group Bowater rose 7 to 470p as Hoare Govett held a meeting with the company. Tightly-traded merchant bank Schroders lifted 13 to 1428p as one house crossed a

prevailing market price. Stockbroker Brewin Dolphin shed 13 to 110p. Interim figures from stock dealer ShareLink expected today are forecast to disappoint. The latter fell 4 to

Chemicals leader Courtaulds shed 5 to 4400 ahead of interim figures today. The forecast range is between £75m and £87m and analysts expect a squeeze on margins but hope for some rays of hope in cur-

rent trading.
Meanwhile McLeod Russell rose 10 to 117p on well received final figures and an encourage

ing statement. A clutch of recent broker's recommendations continued to

boost MFI Furniture. The shares gained another 31/2 to 1411/2p. Also in demand was high street retailing group Lloyds Chemists ahead of tomorrow's annual meeting. The shares put on 5 to 313p.

The poor market trend halted the recent advance in Yorkshire Water which reports interim figures today. shares finished 9 lower at 540p. NatWest Securities remains positive on the stock and recommended investors "add" to current holdings as, "these results should underline how management is continuing to unravel the cost base." But it also warned, "dividend policy is unlikely to be headline grabbing."

**MARKET REPORTERS:** Peter John, Joel Kibazo, Jeffrey Brown.

February 23 March 9

 Other statistics, Page 28 block of shares at above the

### LONDON EQUITIES

# LIFFE EQUITY OPTIONS:

Hand Domes: 550 32 43 51½ 10 15 27 (\*575 ) 600 8 18½ 26% 37½ 42½ 54 August 26% 27% 42½ 54 August 26% 21½ 21 26 8½ 15½ 21 (\*264 ) 280 5 12 17 22 27 33 ASDA 60 7½ 8 18½ 1½ 3 4 (\*65 ) 70 1½ 4½ 5 6% 6% 8 Harson 220 11¼ 15½ 19 - 5½ 9½ (\*231 ) 240 ½ 6 18 8½ 18 20 Lasron 134 14 - - - - (\*148 ) 154 ½ - 6½ - - - - (\*148 ) 154 ½ - 6½ - - - (\*1203 ) 220 - 6 10½ 16½ 20 24½ 7 6 0 600 26'4 46'5 57'4 ½ 12'5 25'5 (12'5 ) 550 ½ 20 32'4 24'5 36 56 Pikungton 180 3 10 15 ; 7 9 (182 ) 200 — 3 6'5 17'4 20'5 21'4 Prudential 300 17 28 31 ½ 6 13 (13'17) 330 ½ 12 15 14 20 29'4 Brit Airweys 360 25 37 44'v 9 15 22's (7378 ) 390 167: 22'v 29'v 24' 30 38 Srit Brit Mark A 420 197: 30'v 39'v 14' 23 38'v 14' 22' 40 46'r 51'v 18 0ots 500 27' 49 48'r 10 15'v 23' (513 ) 550 6'v 17 24'v 39'v 43 50

RTZ 800 45 86% 78 - 10% 24 (7845 ) 850 33% 35 48 7 29 46 Rectand 460 14 32% 41% % 13 28 (473 ) 500 - 14 32% 26% 34% 52 Royal incore 280 10% 24% 30 % 11 17 (7290 ) 300 % 14% 28% 10% 21 27% 8P 390 32 40 47 44 10h 15 (\*414 | 430 13 224 30% 15 234 28 British Steel 140 16 20% 24 2 4% 61% (\*153 ) 160 44 10 13 104 134 16 Bass 500 32 394 48 11 18 25 (\*528 ) 550 5% 16% 25% 42 46% 52% Catte & Give 360 33 43 50% 6 14 17% (1366) 390 15% 27% 34% 18 27% 31% Courtaints 420 27% 39% 46% 9% 15 22% (1439) 460 8 20 27% 31% 36 45% Courte Union 430 42% 46% - 5% 17 - (1526) 543 13% 22 - 27 44 -Option Japa Apar Just Jan Apr Jus

BAA 500 18 30% 37% 11% 17% 23% (502 ) 525 7% 18% — 26 31 — Thames Wr 460 37% 49% 57% 5% 11% 20 (488 ) 500 14% 28% 35% 21 28 40 40 750 35% 47% 58% 18 36 44% (761) 800 13% 24% 37% 45% 66 73% (Nnglister 460 29 46% 47% 10% 18 29 (472) 500 10 22 28% 32 40 51 Dec Mar Jun Dec Mar Jun Option Land Secur 600 15 29 35% 17% 23 36 (\*601) 650 2% 11% 15% 57% 58% 69% Manks 5 \$ 390 29 41% 47 4 7% 14 (\*412) 420 18% 23% 29 15 19 35% 1500 28 37% 48% 12% 30 35% (\*509) 550 8% 16% 27% 43% 61 65% Abbey Mart 390 27 37 41 4 13H 19h (\*12 ) 420 7h 19h 25% 14% 29 35 Amstrad 30 3 4 5 1 2% 3% (\*31 ) 35 1 2 3 4 55 59 8 8 6 53 ) 600 10h 25% 30% 22% 40h 45 1583 ) 600 10h 25% 30% 22% 40h 45 Sansbury 730 30 43 484 5 12% 18% Blas Circle 300 12 23 28% 7% 14% 21% (411) 420 12% 25% 31% 18 26 32% (303) 300 2 10 15% 27% 32 39% Shell Trans. 700 22% 32% 41% 16 30% 34% British Gas 250 20 28 34 1% 6 12 (701) 750 5 12% 21 49% 63% 55 (7297) 300 6% 16 22% 8 13 21% Simehouse 220 8% 14 18 9% 12 16% 0xxxxx 180 13 18 24 3% 8 13 hr (720) 240 2 6% 10 23% 25 29 (188) 200 3% 9 14% 14 19 24% 

Bril Acto 420 14% 37 47% 1 17% 29% (12%) 200 10% 17 23 4 9% 13 (13%) 460 - 18% 30% 26 39 52 (12%) 240 2 8% 14 15% 21 24 84T Inds 420 33 45 51% - 6% 16% Welcome 550 43 65% 50 9% 25 853 (14%) 28% 7 22 36 (15%) 700 14 38% 54% 22% 68 853 (15%) Jan Apr Jul Jan Apr Jul BTR 280 151/ 251/ 291/ 4 6 121/ 1295 ) 300 1 14 19 74 14 224 Bth Telecom 360 19 241/ 311/ 4 8 121/ (3/9 ) 990 14 61/ 17 13 291/ 23 Cadhuny Sch 420 22 33 39 4 61/ 151/ (441 ) 460 4 12 18 19 25 37 Glatto 600 40% 54 68 14% 31 38% (620 1 650 18 30 45% 40% 58 65 1886 759 56 700 46% 63% 74 18 39% 48% (723 1 750 21 39 51 43 67 76 Reuters 460 32% 43 62% 81% 18% 53% (480 1 500 12% 23 32% 28 39 44 Option New Feb May Mov Feb May (\*1905 ) Guinness (\*458 ) GEC

800 8% 43% 61% 4 42 54% 850 - 23% 41 45 71 82% 420 38% 48% 53% - 3 9% 460 1 19 27% 3 14% 25 280 2% 12 18% 1% 11 13% 200 5 18% 12 10 24% Rulk-Rayce 180 3 12% 18% 1 9 13 (\*182 1 206 - 4½ 8% 18 20% 24% \* Underlying security price. Premiums shown are based on settlement prices.
November 22, Total contracts: 34,843 Calis: 27,465 Pars: 14,458

FT GOLD MINES INDEX Nov % chg Nov Nov Year Grass div 52 week 21 on day 18 17 ago yield % High Low Gold Mines Index (34) 1988.30 -1.6 2019.18 2049.74 2063.72 2.17 2367.40 1762.02 m Regional Indicas 
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 -2.1
 1544.96
 1575.99
 1783.00
 0.88
 2039.65
 1468.11

RISES AND FALLS YESTERDAY British Funds .... 255 1278

Totale TRADITIONAL OPTIONS First Dealings Last Dealings November 21 Expiry
December 2 Settlement

Calls: Caltura, Filofax, Fittronic, Hunting, Magrum Power, McDonnell Douglas Put & Call: Magrum Power LONDON RECENT ISSUES: EQUITIES

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RIGHTS OFFERS lssue Amount Latest price peid Renun. p up date High Low Stock 2pm Apolio Metal:
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FINANCIAL TIMES EQUITY INDICES Nov 22 Nov 21 Nov 18 Nov 17 Nov 16 Yr ago Thigh Ordinary Share 2369.1 2369.8 2407.0 2406.7 2418.6 2328.0 2713.6 2240.6 

Ordinary Share hourly changes Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2379.8 2377.6 2382.1 2374.2 2375.6 2377.1 2370.4 2371.1 2369.6 2382.5 2369.0 Nov 22 Nov 21 Nov 18 Nov 17 Nov 16 Yr ago

24,284 24,305 25,114 26,218 31,156 27,509 - 1448.5 1280.6 1435.3 1598.7 1581.9 - 27,507 28,540 30,374 35,243 32,250 - 568.4 548.5 632.9 669.3 553.3 SEAQ bargains Equity turnover (Emit) Equity bargainst Shares traded (mit)

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FT - SE Actuaries Share Indices The UK:Series P/E Xd adj. Total Nov 22 chge% Nov 21 Nov 18 Nov 17 ago vield% vield% -1.4 3121.0 3131.0 3127.5 3069.3 -0.7 3569.5 3575.6 3576.6 3439.2 -0.6 3570.5 3676.3 3577.0 3437.8 4.16 3.52 3.68 7.13 16.58 116.23 5.81 20.75 122.22 FT-SE 100 FT-SE 100
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FT-SE SmallCap ex Inv Trusts
FT-SE-A ALL-SHARE 1548.7 -1.2 1585.5 1570.0 1588.7 1632.6 4.02 6.83 17.38 57.25 1782.19 -0.3 1788.16 1790.18 1789.38 1741.40 3.32 5.00 25.25 52.08 1790.50 -0.2 1754.83 1755.71 1755.65 1719.87 3.53 5.56 23.01 53.95 1532.32 -1.1 1550.01 1564.22 1553.02 1517.08 3.97 6.70 17.77 55.91 # FT-SE Actuaries All-Share Day's Year Div. Earn P/E Xd adj. Nov 22 chge% Nov 21 Nov 18 Nov 17 ago yield% yield% ratio ytd -1.5 2708.10 2711.76 2709.20 2402.70 3.54 5.13 24.65 89.83 -1.1 3870.62 3892.69 3838.70 3164.40 3.35 5.36 23.08 98.62 -1.7 2673.72 2676.70 2680.55 2377.30 3.70 5.72 21.78 98.44 -0.3 1878.92 1878.56 1873.10 1894.40 2.22 ‡ ‡ 38.03 2667.10 3829.04 2627.57 10 MINERAL EXTRACTION(18) 12 Extractive industries(4) 15 Oil, integrated(3) 16 Oil Exploration & Frod(11) 1873.68 20 GEN MANUFACTURIERS(287)
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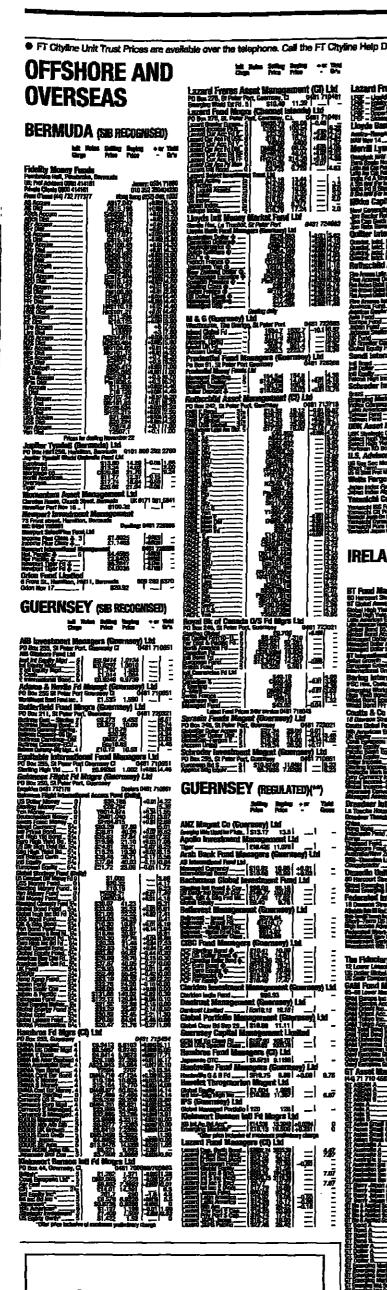
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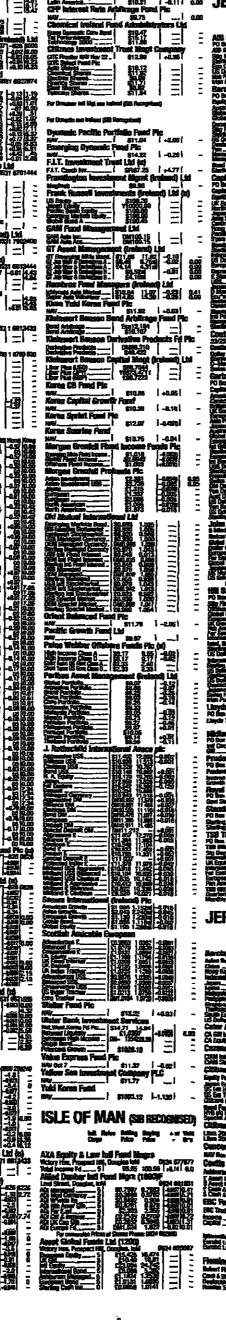
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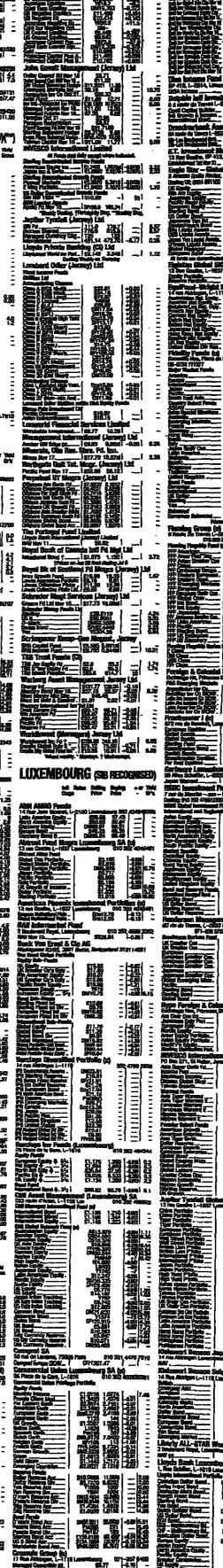
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# Lira takes knock from Berlusconi investigation

low against the D-Mark, after magistrates formally warned Mr Silvio Berlusconi, the prime minister, that he is under investigation, writes Philip

The lira dropped to L1,083/ DM at the London close, from L1,025/DM on Monday. According to Mr Robert Thomas, head of research at NatWest Capital Markets, "the weaker that Berlusconi becomes, the less likely it is that the budget deficit will be sorted out in the near term. The lira is suffering from the lack of firm government."

Mr David Cocker, currency analyst at Chemical Bank, thinks that while the latest political crisis may have been discounted by the market, the lira could still fall to L1,045/ 1,048 to the D-Mark. While Mr Berlusconi said he

was "absolutely sure" he had not committed any offence and would not resign, the news also hit Italian bond and equity markets. The Mibtel stock mar-

POUND SPOT FORWARD

The Italian lira fell to a record ket index fell 2.8 per cent on "not enough to convince the

■ The US dollar weakened in London trading against both the D-Mark and the yen. Chemical Bank's Mr Cocker said profit-taking had made the dollar weaker. "Basically, it was a market which had got a little

bit long of dollars" he added. Mr Thomas said the dollar had recently hit a technical resistance point around DM1.56 and had back-tracked. On the fundamentals, he added that "people are also beginning to realise that December might be a bit early for the Fed to raise

rates again."
Mr Neil MacKinnon, chief economist at Citibank in London says the 75 basis points rise in US interest rates was

Pean	d in New York	k
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bond market that the Fed was ahead of the inflation game."

He also pointed to the recent weakness on Wall Street - the Dow Jones Industrial Average is down 200 points since October - as one factor behind the dollar's difficulties. "The currency market thinks the Fed will find it hard to raise interest rates with Wall Street going down," he said.

"The dilemma for the Fed is that if they don't raise rates, long bonds will suffer and if they do raise rates Wall Street will come under pressure, argues Mr MacKinnon.

However, the Citibank economist is cautiously optimistic about the dollar's prospects in 1995. Citibank's research shows there is increasing interest in the dollar among medium and long term fund managers and this, according to Mr MacKinnon, should give the currency

The D-Mark also received

Against the D-Mark (DM per \$ 1.8 -



ident Mr Hans Tletmeyer. He was quoted as saying that German monetary policy will

reflect the central bank's interest in a strong D-Mark. Mr Tietmeyer also appeared to rule out a move to a variable rate repo when the decisionmaking central council meets

on Thursday. The dollar fell to DM1.5536

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

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with DM1.5594 on Monday and against the yen, it dropped to Y98.075, from Y98.375. Trading continued to be fairly quiet, ahead of the Thanksgiving holiday on Thursday.

Sterling had a fairly quiet day on the currency markets. with attention focused elsewhere. However, expectations of an early interest rate rise appeared to subside.

The markets have apparently decided that Mr Kenneth Clarke, the Chancellor, will attempt to shift the focus in next week's Budget to the tightening of fiscal policy and away from monetary policy.

The March short sterling futures contract recovered half of Monday's losses, climbing three basis points to 92.98. However, that still implies base rates of 7 per cent, compared with the current level of 5.75 per cent.

Against the D-Mark, the pound slipped to DM2.4402, from DM2.4452 on Monday's

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close. However, it gain slightly against the weaker de lar to finish at \$1.5707, fro \$1.5681. Trade-weighted, slipped to 79.8, from Monday

■ The Australian dollar ha another good day, edging up 76.3 cents against the US do lar, from just under 76.2 cen on Monday. The Australia currency continues to benef from rising commodity price and high real interest rates.

In the UK money market the Bank of England gave he of £400m at established rates alleviate a £500m foreca shortage. Overnight rate moved between 5.5 per cent and 4 per cent.

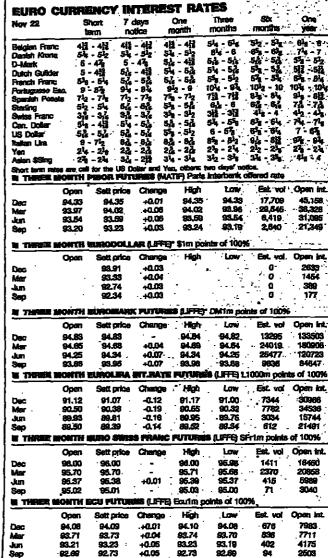
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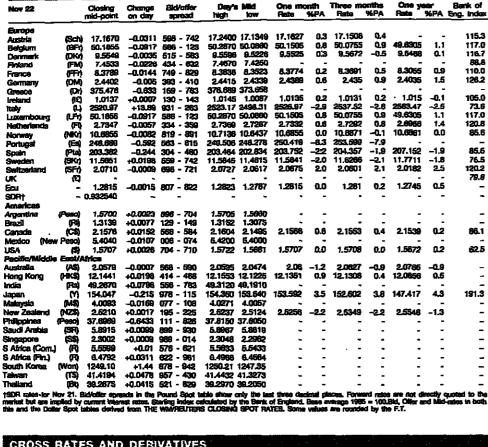
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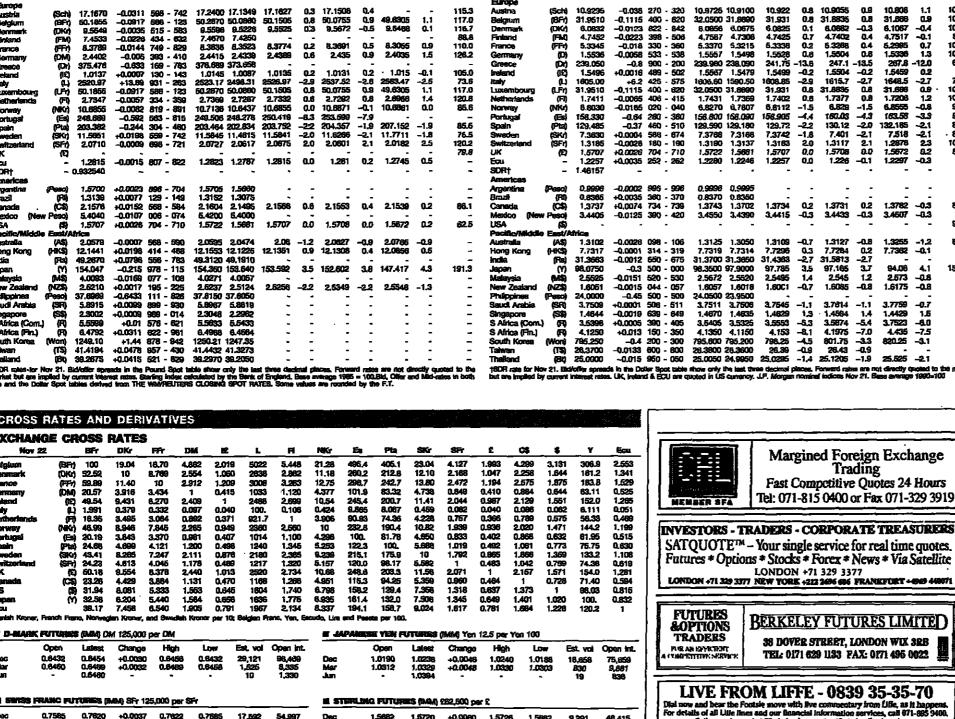
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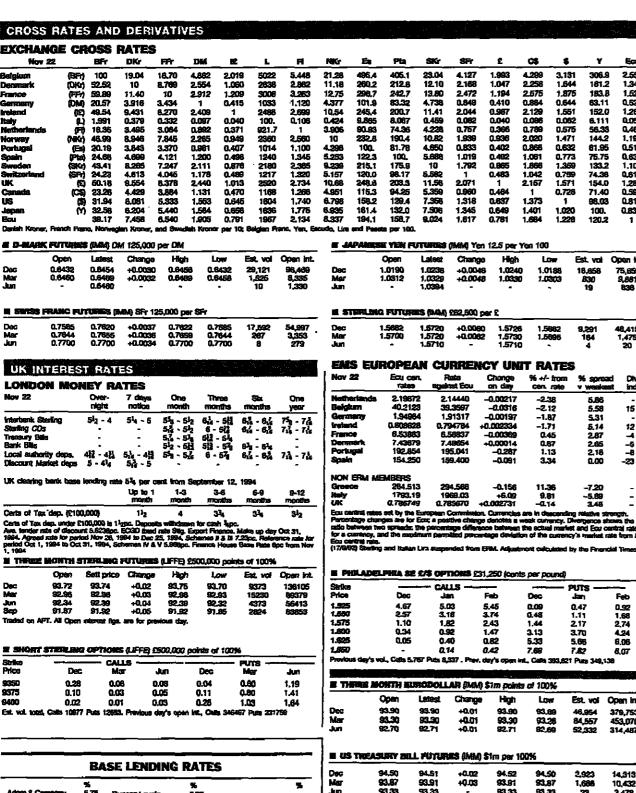
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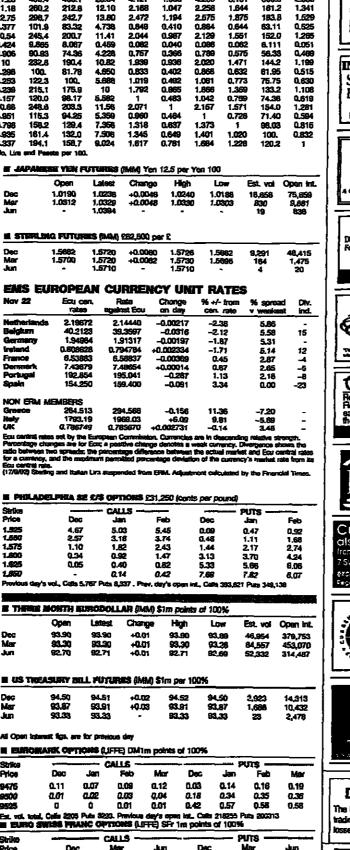
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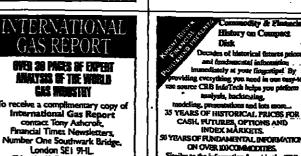
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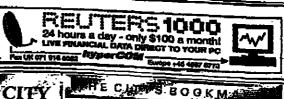
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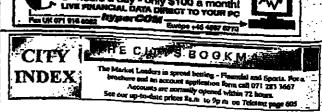
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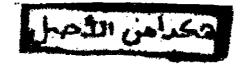
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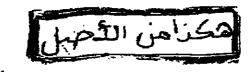


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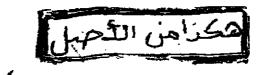
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Hand delivery services are available for all subscribers in the business centres of Lisbon, Oporto, the Algarve and in Funchal. Please call (01) 80 82 84 for more information. Financial Times. Europe's Business Newspaper.

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# Dow unsteady on interest rate worries

#### **Wall Street**

US share prices fluctuated strikingly within negative territory yesterday amid fears that recent interest rate increases might begin to slow the economy, writes Lisa Bransten in New York.

By 1 pm the Dow Jones Industrial Average was down 11.10 at 3,758.41. The more broadly traded Standard & Poor's 500 fell 1.11 to 457.18, while the American Stock Exchange composite lost 3.39 at 437.89. The Nasdaq composite was down 6.38 at 751.36. Trading volume on the NYSE

In the first hour of trading the Dow fell more than 32 points before pulling back about half that and settling near 3.755 around midday, the index's lowest level since August 22.

Volumes were heavy amid fears that rising interest rates would draw money from equiinstruments such as bonds. On Monday, Morgan Stanley reduced the stock portion of its equity model portfolio to 85 from 97 per cent and increased the cash holdings to 15 per cent from 3 per cent.

For one of the first times this year, equity prices did not follow bond prices, which rose modestly in advance of an afternoon auction. Some analysts believe the uncoupling may be a signal that the markets finally believe the econ-

omy will weaken. Major components of the Dow fell with the market. Caterpillar lost \$1 to \$53%, DuPont \$1% to \$53%, international Paper \$% to \$70%, General Electric \$1/4 to \$47%, Minnesota Mining and Manufacturing \$1/4 to \$52% and Merck \$% to \$36%. One gainer in the Dow was

\$43% after reporting fourth quarter earnings of 42 cents per share against analyst expectations of 39 cents per

Shares of PaineWebber Group were off \$1 at \$13% after the SEC launched an investigation into whether the broking house had improperly sold shares in several limited partnerships to investors.

Greyhound Lines was unchanged at \$2 is after reporting it would take a net loss of \$3.5m over about four years because of three cancelled interest-rate swaps.

Brinker International, the restaurant group, fell \$3% at \$17% after announcing that it expected second quarter earnings to come in below the analysts' estimates.

Toronto stocks moved lower at midday, falling along with neg-ative overseas markets and continued interest rate con-

Losses in energy, mining and transportation outpaced gains in the pipelines and conglomer-

The TSE 300 index was down 21.80 at 4.052.50 in volume of 36.2m shares valued at C\$431m. Declines led advances by 450 to 136, with 284 issues flat.

Of Toronto's 14 sub-indices. 11 groups weakened at noon, led by transportation, down 81.47 at 4,431.65.

Gold and precious metals extended Monday's slide, dropping 37.62 to 9,060.05, despite slightly firmer gold prices. Newbridge Networks fell C\$1% to C\$45% ahead of second quarter results due later in the

The Bank of Montreal was unchanged at C\$24% on 519,000 shares traded after earlier reporting stronger fourth quar-

Analysts said that domestic

banks could also be facing

Bear Stearns' Latin Ameri-

can research team commented

that it did not expect a large-

"Most banks will adjust to

the loss of their inflationary

'float' income very quickly

due to the agility and high

quality of the leading Brazilian

private banks; while they have

also restructured their

operations significantly in recent years, shedding labour

The market's decline came

and cutting costs," it said.

amid low trading volume.

financial difficulties

scale crisis to develop.

# **Brazil declines 3%**

Shares in São Paulo continued to move lower as the market was affected further by worries over liquidity at some of the country's smaller banks.

The Bovespa index was down 3 per cent at midday at 43.574. having fallen nearly 5 per cent on Monday, its steepest decline since the currency was overhauled in the summer. Turnover was R\$152m (\$181.6m).

On Monday the central bank liquidated Banco Atlantis, the third bank to be shut down over the last 10 days, because the institution failed to comply with reserve requirements and to settle previously set

### South Africa resists fall

Industrial shares led a recovery in early afternoon trade as buying interest continued in spite of weaker world markets. A slight rise in the price of gold bullion was also a contributing factor.

Analysts said the underto in industrials was firm and prospects in coming weeks remained steady.

The overall index was 7.4 better at 5,909.2 after earlier touching 5.879, the industrial index gained 41.2 at 6,984.1 and the gold shares index was

Absa eased from recent

highs, shedding 15 cents to R11.10, but invested advanced R1.75 to R68 and Rand Merchant Bank Holdings rose R2 to R38 after lagging behind

the major banks recently. De Beers was again under pressure, declining R1.25 to R95.75, while Anglos was 50 cents off at R239.50.

SAB slipped 25 cents to R100 and Sasol receded 15 cents to R35. Sappi collected 50 cents at R73 and Hiveld put on 50 cents at R35.25.

Kloof relinquished 50 cents R62 and Vaal Reefs finished R5 down at R382.

# Milan tumbles as magistrates warn Berlusconi

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the main driving force yesterday, but Italy had its own

domestic troubles.
MILAN tumbled 2.1 per cent after magistrates confirmed that Prime Minister Silvio Berlusconi had been issued an investigation warning in connection with corruption allegations.

The Comit index fell 13.37 to 635.27 as the day's developments raised worries that the fast moving political situation could distract attention from the passage of the 1995 budget through the Senate by its yearend deadline.

Losses were seen in all sectors, with the blue chips particularly hard hit.

Fiat lost L167 or 2.7 per cent at L6,119 and Parmalat, the milk and food group, was L74 or 4.4 per cent down at L1,606. Among the telecommunications stocks, Stet fell L205 to LA.768 and Telecom Italia was L155 or 3.5 per cent weaker at

ZURICH's attention was firmly fixed on a live television broadcast of the UBS shareholders meeting. The SMI index dipped 35.2 or 1.4 per

Weakness on Wall Street was cent to 2,571.8, depressed by the weaker dollar and the malaise elsewhere in Europe.

UBS bearers fell SFr26 to SFr1,159, with the bank said to be a seller, and the registered stock shed SFT11 to SFT268 as the market awaited the news that the shareholders had approved the creation of a single class of share, which came after the market had closed.

Mr Martin Ebner's BK Vision fell SFr25 to SFr1,345 as it emerged that the investment trust had already lodged a provisional appeal at Zurich's company registration office two week's ago. Mr lan McEwan at Merrill

Lynch commented that the shares now faced a confused passage in the short term. although in the longer term, he reiterated his view that they had been driven substantially over fundamental value. Chemical and pharmaceuti-

cal blue chips were lower, with Ciba down another SFr3 at Dealers said they expected only short-term weakness in Ciba following Monday's

announcement that it was to

acquire 49.9 per cent of Chiron.

Nov 18 FT-SE Eurotrack 100 FT-SE Eurotrack 200 1344.08 1405.91 1411.82

Housey changes

pany, for a price above market expectations. Goldman Sachs, however, commented that the deal made excellent strategic sense. It raised its longer term rating on the stock, forecasting that the price could reach SFr900 over

the US biotechnology com-

FT-SE Actuaries Share indices

the next year. Nestlé, which is to report 10month sales today, lost SFr25 at SFr1,205, with analysts forecasting flat sales growth, depressed by negative currency factors.

The main industrial issues were also lower. Sulzer declined SFr9 to SFr905 as James Capel downgraded the stock, noting that its order levels were rising, but not by enough to suggest that earnings from the cyclical businesses were set to explode. PARIS regained the 1,900 level by the close, with the CAC-40 index down 18.42 at

THE EUROPEAN SERIES

Alcatel Alsthom remained under pressure, the shares down FFr7.90 to FFr415.00, on news that the chairman of a subsidiary had been detained for questioning in connection with an investigation into alleged false billing and overcharging of France Télécom.

However, the stock came off a low for the year of FFr410.10 as the main board of the group declined a resignation offer from the executive.

There was no let-off in demand for Renault, with turnover approaching FFr365m as the shares slipped 80 centimes

FRANKFURT was pulled down by technical weakness. The Dax index was off 30.51 at 2,074.77, recovering some of the losses in post-bourse trading to 2,072.49. Turnover totalled DM5.5bb.

Mr Hans Tietmeyer, president of the Bundesbank, yesterday advised market watchers not to expect a change in monetary policy at tomorrow's regular meeting of the council.

The market is now awaiting

results from the chemical and bank sectors, which are due to 1,911.41. Turnover amounted to start later this week. On the banks, Merrill Lynch in a recent note suggested that the 10-month results should be. broadly neutral and summarised that the sector was likely to "outperform mildly over the intermediate term in the context of an unspectacular mar-

> Among chemicals, BASF, which launches the results season tomorrow, is widely expected to show a substantial improvement in nine-month profits. The stock closed yesterday at DM805.80, down

DMRAAL Volkswagen, off DM5.70 at

reasonably bullish comments from analysis. Mr Keith Haves at Merrill Lynch said that he had raised his opinion on the basis of the recent share price pullback, but over the long term he remained "severely

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sceptical". AMSTERDAM finished sharply down in a session that was pressured by events largely outside the market. The

AEX index fell 4.75 to 406.44. In the absence of corporate news the trend was one way, assisted also by dollar we ness - Philips declined F1130 to Fi 51.70, Royal Duich Fi 2.60 to F1 187.80 and Unilever F1 2.20 to F1 194.30.

Elsewhere, NedLloyd dipped F1 3.40 to F1 53.20, affected mainly by retail selling. MADRID's direction was dictated by falls elsewhere and

the General index finished 2:00 lower at 302.87. Turnover of Pta16ba was well below the levels of recent days as industrials suffered profit-taking after the sharp gains in previous sessions.

Writion and edited by John Piti

# Nikkei falls below 19,000 as Hong Kong drops 3.8%

### Tokyo

The sharp decline on Wall Street overnight and further weakness in consumer electronics shares depressed investor confidence, and the Nikkei 225 average fell below the 19,000 level for the first time since February 18, writes

Emiko Terazono in Tokyo. The index lost 158.73 at 18,962.99 on arbitrage unwinding prompted by lower futures prices, and profit-taking by foreigners and individuals. It pened at the day's high of 19,052.01 and hit a low of 18,905.48 as selling overwhelmed small-lot buying by financial institutions and investment trusts. Individual investors who had bought shares on margin were also

forced to unload their holdings. Volume rose to 315m shares from 176.6m. Traders said public funds bought around 20m shares in the afternoon sesinvestors feared other small sion. The Topix index of all first section stocks dipped 9.46 to 1,502.92 and the Nikkei 300 shed 1.83 to 275.82. In London the ISE/Nikkei 50 index eased 1.14 to 1.228.56.

Sony, the consumer electronics company, continued its decline on selling by overseas investors and the issue ended Y120 lower at Y5.110, falling for the third consecutive day. Other high-technology shares were also weaker, with Matsushita Electric Industrial off Y10 at Y1,520 and TDK down Y120

at Y4.570. Brokerage issues declined on fears of lower earnings due to the prolonged weakness of the stock market: Nomura Securities was down Y20 to Y1.910 and Nikko Securities Y10 to Y1,020. Smaller brokers, which depend heavily on stock market commissions, were also hit - Sanyo Securities fell Y12 to Y477 and New Japan Securities

Y15 to Y645. Banks, which rely on unrealised share holdings as capital, lost ground, Industrial Bank of Japan slipped Y10 to Y2,720 and Dai-Ichi Kangyo Bank Y10 to Y1.680.

Telecommunication stocks were lower. Nippon Telegraph and Telephone, which reported that its interim recurring profits plunged 66 per cent, receded Y13,000 to Y843,000 and Japan Telecom Y7,000 to Y983,000.

In Osaka, the OSE average declined 228.26 to 21,103.78 in volume of 24.7m shares. Roundup

The reverberations from Wall Street's overnight setback were felt throughout the region.

**HONG KONG dropped 3.8 per** cent on heavy foreign selling, particularly by US investors clearing their books ahead of the Thanksgiving holiday weekend and, to a lesser extent, by Japanese investors ahead of today's holiday in

The Hang Seng index lost 354.81 at 8,948.43, the biggest one-day fall since a 465-point drop on March 21, as local investors joined the sellers during the afternoon. Provisional turnover rose to HK\$4.7bn after Monday's HK\$2.4hn.

An analyst said the market slide came amid rumours of changes in Morgan Stanley portfolio weightings. Mr Byron Wien, Morgan Stanley's US strategist, confirmed yesterday that he had raised the cash element of his US equity only portfolio from 3 per cent to 15 per cent on Monday. He added that his contribution to the volatility in Hong Kong was "another example of the law of

rintended consequences Property issues were sold as investors discounted the effect of further interest rate rises on the property market. Sun Hung Kai fell HK\$3.75 or 6.9 per cent to HK\$51, Henderson Land HK\$2.80 or 5.8 per cent to HK45.80 and Cheung Kong HK\$1.60 to HK\$34.40.

The H-share index of mainland China stocks listed in Hong Kong retreated 79.46 or 6.2 per cent to 1,206.23.

SINGAPORE was bruised by relentless selling by institutional funds, in response to weak regional markets, the Dow's overnight fall and rises in prime rates by major local banks. The Straits Times Industrial index dropped 51.94

or 2.2 per cent to 2.270.05. The index, which at one stage fell through the psychological support level of 2,250, recovered on bargain hunting towards the close of trading. Large losses sustained by shipbuilders weighed on the

broader market. Keppel fell 70

cents to \$\$12.00 and Semba-

wang Corp 40 cents to S\$10.70.

Hang Seng Index 10,500
10,000
9,500
9,000
8,500 V
8,000

BANGKOK just avoided closing below the 1,400 support level, bouncing to 1,402.38 in the last minutes of trading, down a net 37.78 or 2.6 per cent. Turnover swelled to Bt9.5bn. The most active stock was Bangkok Bank, off Bt6 at

KUALA LUMPUR extended its losses, the composite index finishing 19.20 or 1.8 per cent down at 1,026.18. Volume was 109.9m shares, with Amalgamated Industrial Steel accounting for 15 per cent of them. AIS, which on Monday announced the acquisition of three integrated timber compamies for M\$1.1bn, fell 65 cents to M\$5.05. TAIPEI saw early gains

reversed by mid-morning selling, but paper and cement shares posted slight rises. The weighted index lost 59.35 at 6,345.27, off a low of 6,332.69. Turnover was a thin T\$30.9bn. Brokers said some indus-

tries, including paper, textile and steel, were expected to recover in 1995 and had already been the focus recently of bargain hunting by trust funds and long-term investors. An easier cement issue was

investment plans in Vietnam were made public yesterday. It dipped 20 cents to T\$30.30. SEOUL finished lower for the fourth straight session after aggressive institutional selling of primary blue chips wiped out minor early gains. The

from a high of 1,120.64. Brokers said the market was pressured by concerns about tight liquidity and they thought it unlikely that a 2 percentage-point expansion for foreign share ownership next month would have much

composite index lost 10.38 at

1,106.70, having pulled back

impact on prices. Korea Mobile Telecom went limit down for the sixth session in a row, declining Won12,000 to Won571,000.

MANULA fell 1.5 per cent in line with the regional trend. The composite index saw a low

of 2,850 before closing 44.84 off

that foreign fund managers had diverted meney to other markets since equities in Manila were now thought to be too expensive.

The drop in FLDT in New York by almost \$1.50 signalled a weak opening, and caused its domestic shares to lose 25 pesos at 1.320 pesos.

The commercial and industrial sector tumbled 80.15 to 4,212.85, the property group shed 2.57 to 109.95 and mining

feII 155.78 to 5,115.68. SYDNEY closed sharply lower, hit by a firmer Australian dollar. The All Ordinaries index dipped 31.8 or 1.7 per cent to 1,877.7 and turnover was A\$491m. Brokers said the higher currency helped to

underpin the bond market. Among the actives. BHP shed 38 cents to A\$18.54. CRA 16 cents to A\$17.02 and WMC 17 cents to A\$7.18.

### Bright ideas have always been the richest natural asset of our home state.



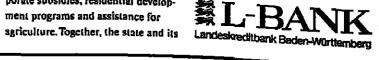
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Rich oil and natural gas deposits are something that Nature neglected to locate under the fertile soil of Baden-Württemberg. As if to compensate, the state has enjoyed more than its share of brilliant minds. Take Einstein - yes, he was born in Baden-Württemberg - or Daimler or Benz, for example. Thanks not least to the

ingenuity of its residents, the state

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### FT-ACTUARIES WORLD INDICES

IEGIONAL MARKETS MONDAY NOVEMBER 21 1994									- FRIDAY NOVEMBER 18 1994 DOLLAR INDEX							
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Starting Index	Yen Index		Local Currency Index			Year ago (approx
Australia (86)		0.0	157.48	103.58	135.04		-0.5	3.92	165.56	157,37	103.73	134.56		189.15	149,35	155,8
Austria (15)		0.6	168.66	110.93	144.52		9.0	1,13	177.33	167.55	110,44	143.26		198.89	167.48	174.2
Belgium (35)		0.0	157.36	103.50	134.83	131.60	0.3	4.20	166,43	157.26	103.65	134.45		177.04	151.70	152.7
Brazi (28)		-3.8	163.05	107.24	139.61	284.43	-4.1	0.78	179.18		111,59	144.75	275.73	-	-	
Canada (103)		-0.9	121.19	79.71	103.92		-0.8	2.69	129.38	122.25	80.58	104,52		145.31	120.54	133.
Denmark (33)	250.14	0.0	236.49	155.55	202.78		0.3	1.43	250.04	236.25	155.72	201.99		275.79	230.27	235.
Finland (24)	188.65	-1.5	178.36	117,31	152.94 135.16		-1.2	0.75	191,48	180.92	119.25	154.69	191.02	201,41	116.B5	
		-0.3	157.82	103.67			0.0	3.06	167.26	158.04	104.17	135.12		185,37	159.34	
Germany (56)		-02	134.55	88.50	115.37	115.37	0.2	1.80	142.58	134.72	88.80	115.18	115.18	150,40	128.37	131.
Hong Kong (56)	375.04	-1.4	354.59	233.22	304.06		-1.4	3.22	380.55	359.57	237.01	307.44	377.74	506.58	341,29	
ireland (14)		0.3	182.38	126.53	164.96	185.21	9.2	3.45	202.79	191.60	126.29	163.82	184.78	215.60	172.05	173:
(59)	77.87	σο	73.63	48.43	63.14	92.98	0.3	1.70	77.89	73.59	48.51	62.82	92.67	97.78	57.88	61.
Јарал (468)	154.22	-0.6	145.80	95.90	125.03	95.90	-0.6	0.80	155.15	146.59	96.62	125.34	96.62	170,10	124,54	143.
Malaysia (97)	515.04	-0.9	486.95	320.28	417.56	509.31	-0.9	1.64	519.97	491.30	323.84	420.07	513.86	621.63	430.71	477.
Maxico (18)		-0.6	1861.94	1224.65	1596.61	7435.11	-0.6	1.38	1981.70	1872.41	1234.18	1600.92	7480.07	2647.08	1695.28	1995.
Netherland (19)		0.1	201.00	132.20	172.36	169.57	0.5	3.41	212.38	200.67	132.27	171,58	168.79	223.30	187.01	189.
New Zesland (14)		-1.7	69.98	46.03	60.01	63.14	-1.4	4.80	75.27	71.12	46.88	60.81	64.06	77.59	61.27	64.
Norway (23)		-Q.1	185.67	122.12	159.21	181.78	0.1	1.82	196.58	185.73	122.42	158.80	181.51	211.74	165.52	177.
Singapore (44)	389.97	-0,8	368.70	242.50	316.16	263.51	-1.0	1,60	393.16	371.4B	244.86	317.63	266.19	401.38	294.66	
South Africa (59)	337,42	0.0	319.01	209,82	273.55	303.26	-0.3	2.12	337.49	318.87	210.18	272.64	304.06	342.00	205.55	
Spain (38)	142.08	0.3	134.33	68.35	115.18	139,77	0.7	4.18	141.58	133.77	88.18	114.38	138.78	165.79	128.88	137
Sweden (36)	242.81	0.4	229.57	150.89	196.86	264.65	0.8	1.51	241,88	228.55	150.64	195.41	262.50	242.81	175.83	188
witzerland (47)		-0.3	153.27	100.81	131.43	132.80	0.1	1.63	162.67	153,70	101.31	131.41	132.67	176.56	146,04	146
helland (46)		-1.3	160.09	105.29	137.28	164.39	-1.3	2.12	171.62	162.15	106.88	138.64	168.58	170.00	140,04	140.
inited Kingdom (204)		-0.4	188.13	123.74	161.33	188,13	-0.3	4.08	199,73	188.71	124,39	181.35	188.71	214.95	181.11	185
JSA (515)		-0.7	177.23	116.57	151.97	187.46	-0.7	2.92	188.73	178.32	117.54	152.48	168.73	196.04	178.95	
														10000-	11003	100.
imericas (664) Europa (708)		-0.7 -0.2	165,46 161,66	106.83 106.32	141.88 138.62	145.46 152.49	-0.7 0.0	2.85 3.07	176.29 171.35	186.57 181.90	109.79 106.72	142.42 138.43	148.54 152.45	178.58	154.79	
15990 (700)																156
lordic († 16)		-0,1	217.13	142.81	186.19	214,70	0.3	1.38	229.77	217.10	143.10	185.62	214.02	233.91	173,19	183.
actific Basin (793)	163.55	-0.7	154.63	101.70	132.60	106.30	-0.8	1.15	164.62	155.65	102.53	133.00	107.16	176.86	134.79	152
turo-Pacific (1501)	156.57	-0.5	157.48	103.58	135.04	124,46	-0.4	1.98	167.35	158.12	104,22	135.19	125.01	175.14	143.88	154,
lorth America (618)	183.78	-0.7	173.76	114.28	148.99	183.30	-0.7	2.91	185.05	174,84	115.25	149.49	184.57	192,73	175.67	184
urope Ex. UK (504)	152.34	-0.1	144.03	94.73	123.50	131.54	0.2	2.47	152.53	144.12	94,99	123,22	131.25	158.12	135.94	138.
acific Ex. Japan (325)		-0.9	239.93	157.81	205.74	223,74	-1.0	2.91	256,10	241.96	159.50	206.90	226.06	296.21	232.54	238
forld Ex. US (1709)	168.32	-0.5	189.13	104,66	136.45	128.04	-0.5	1.99	169,15	159.82	105.35	138.65	128.65	176.65	145.58	155.
lorld Ex. UK (2020)	_171.20	-0.6	161.86	108.48	138.79	142.21	-0.6	2.12	172.19	162.70	107.24	139.11	143.04	178.69	155.98	163.
lorid Ex. Japan (1766)		-0.5	175.68	115.55	150.64	178.90	-0.5	2.02	186.83	176.52	118.35	150.93	177.13	195.20	178.34	178

...173.84 -0.6 164.17 107.98 140.77 146.31 -0.6 2.31